

# **The Governance Dimensions of Food Security in Nicaragua**

---

**August 2005**

**Caroline Sahley, Democracy Fellow, DCHA/DG  
Benjamin Crosby, MSI  
David Nelson, DCHA/FFP  
Lane Vanderslice, PPC/DEI/DIS**

**The views expressed in this document are those of the authors and do not necessarily reflect the opinions of USAID or of the U.S. government.**

## Executive Summary

Food insecurity is one of the most critical development challenges facing Nicaragua. Nicaragua demonstrates continued high levels of chronic malnutrition and remains dependent upon U.S. food aid to meet the needs of its population.

This assessment sought to identify some of the underlying causes of Nicaragua's profound food security problem, through the use of a democracy and governance analytical lens. Governance issues such as the lack of a truly impartial judiciary or a culture of political polarization may be seemingly unrelated to food security at first glance, but in actual fact shape the country's policymaking environment, weaken the effectiveness of state institutions, and affect development outcomes. This study has shown that problems related to democracy and governance in Nicaragua are linked to food security in a number of ways, including:

- An inhospitable and unsupportive political and policy environment that both impedes new initiatives in food security and renders it to a low priority status
- A low level of capacity on the part of the state to take on and effectively and expediently implement food security initiatives
- Significant insecurity in the rule of law that deters investment and is incapable of resolving disputes over a vast number of conflicts related to land tenure
- A weak constituency within a political system that largely excludes from participation those most vulnerable to problems of food insecurity.

One of the more significant findings is that despite its dependency on food aid, food security is not very high on the political agenda in Nicaragua. Food assistance continues to decline but the outlook for food security in Nicaragua remains difficult with little sign of solution for the short or medium-term. There appears to be a mismatch between the depth of the problem and the priority allotted to it by the government and civil society as an issue needing to be addressed. Moreover, the potential constituency for food security is weakly organized and poorly represented at the national level.

Key findings are summarized below:

***While the Government of Nicaragua does have a written food security strategy, overall policy decisions affecting agriculture, economic development, and social services are guided more directly by the National Development Plan.*** The National Development Plan prioritizes agro-exports as an economic growth model, and does not significantly address food security. It appears that the Government of Nicaragua does not recognize food security as a distinct problem requiring direct policy solutions. In practice, food security issues are subsumed, and often obscured, in more general policy discussions surrounding agricultural production and wider economic growth strategies. There appears to be a widespread assumption held by many within and outside government that generalized economic growth is a sufficient strategy to address food security.

***The prospects for a more robust food security policy are weak, because of the difficult policymaking environment that exists.*** Any initiative for improved food security faces an inhospitable and unsupportive policy environment brought on by profound governance constraints including the lack of national

consensus, manifested most clearly in strongman based political parties, and entrenched political polarization, particularly in the National Assembly. In the case of Nicaragua's current government these constraints are compounded by the President's inability to maintain a viable political base of support for his administration and policy agenda.

***Even if food security was to achieve greater priority, polarization has implications for how this issue might be addressed in this policymaking environment.*** In an extremely politically polarized society, there is a risk that any issue could become a partisan issue. By not making food security a significant part of the National Development Plan, the government risks ceding the issue to particular political groups in society, rather than forging broad-based consensus on the need for a food security strategy as part of Nicaragua's overall development goals.

***Genuine government commitment for tackling the complex problem of food security is unlikely to develop in the absence of a mobilized constituency pushing the issue higher on the public and political agenda.*** Though immense, the potential constituency (urban and rural poor) for a more robust food security policy is weakly organized and unable to mobilize that potential. As candidates to the National Assembly are selected by their party's central committee, this constituency is only nominally represented through political parties, and would benefit from more accountable representation at the national level. The NGO sector is only weakly involved in advocacy on food security issues, preferring in general to work directly on community development and social protection issues. Associations that represent small farmers, such as UNAG and UPANIC, address agricultural issues generally and do not have a strong food security agenda. On balance, the overall level of advocacy activities on the food security issues appears relatively limited.

***Responsibilities for food security are diffused and very poorly coordinated among a wide range of public sector entities.*** Food security issues are inherently challenging, arguably, because they require a multi-sectoral approach and clear coordination. Existing coordinating bodies such as the National Commission on Food Security and Nutrition (CONASAN) could be addressing the lack of policy and programmatic coherency on food security, but they are not effective or influential. The Ministry of Agriculture and Forestry, (MAGFOR), houses a food security unit, and coordinates a data collection system on food security. However, basic coordination is left to CONASAN, an inter-ministerial body that apparently meets only infrequently (if at all), and is clearly not perceived as playing a leadership role on this issue.

***Each public sector entity pursues food security through its own technical and sectoral prism.*** A comprehensive vision of food security — defined by and with policy leadership of the executive branch with legislative support — is absent. Although there is a written food security strategy, it has little effect in shaping actions of ministries operating in the related sectors. MiFamilia takes a family welfare approach through its Social Protection Network, while MAGFOR takes a production approach through the Pound for Pound program. While both contributions are necessary, there is no shared vision or broader framework of how to achieve food security that leads to these programs.

***Most of the activities to support small-scale agricultural production and to establish social safety nets are 'projectized' and as a result, are poorly institutionalized.*** A possible constraint to the development of a long term coherent strategy is the donor environment which creates incentives for opportunistic 'projectized' approaches to these problems. Incentives for the development of a long-term strategic vision for achieving food security seem to be absent. This study found that the project nature of these initiatives means that they are not fully integrated and institutionalized within the public sector agencies highlighted here. Food security as a strategic concept has not risen as a central mission with the leading public sector entities implementing many of these programs.

***The potential role of local government as contributors to economic growth and food security has yet to be realized in Nicaragua.*** Apart from a handful of larger cities, local governments demonstrate willingness but have neither the capacity nor the resources to provide much assistance to local development. Local governments have demonstrated that they can be effective partners in implementing programs that have positive impacts on food security, but these are limited to a handful of the larger municipalities (e.g., Matagalpa) that have both the requisite skills and resources. The government has embarked on a program of decentralization but success will depend on continuing legislative support and the capacity of entities to assist local governments in planning budgets and raising revenues.

***Though there are several actors involved in food security there is no apparent lead agency for food security.*** Each institution seems to carry out projects and programs irrespective of what other agencies might be trying to implement. A bill has been proposed in the National Assembly that would define leadership more clearly in the sector, but the bill is stalled. Although the implementation of CONASAN might have at least begun to coordinate some of the actions in or among sector institutions, CONASAN and COTESAN appear to be barely functioning and without any apparent effectiveness.

***The high percentage of food security activity dependent on external assistance does not assist in building stronger institutional capacity.*** Part of the problem is that the narrow capital budgets of most Ministries do not allow food security project staff to be paid out of regular Ministry funds – rather, they are often paid exclusively out of external funds. Moreover, implementing staff are often hired as consultants, paid by the donor often at rates higher than those of regular staff. Since the Ministry rarely seems capable of footing the bill for continuing donor initiated projects, when funds expire the consultant(s) generally leave(s), taking the implementation know-how with them.

***Unclear ownership of land affects food production and is perpetuated by the lack of a judicial system able to efficiently and impartially resolve land disputes.*** The absence of a clear framework for land ownership has contributed to tenure insecurity. Disputes over land ownership cause good agricultural land to lay fallow and creates a disincentive for investing in improvements in the land. The lack of an efficient and impartial judiciary means that the likelihood of an expedient resolution to land tenure problems in the near future seems low.

## ACRONYMS

AMUNIC	Asociacion de Municipios de Nicaragua Association of Municipalities of Nicaragua
CONASAN	Comisión Nacional de Seguridad Alimentaria y Nutricional National Commission on Food Security and Nutrition
CONPES	National Council of Social and Economic Planning Consejo Nacional de Planificación Económica y Social
COSEP	Consejo Superior de la Empresa Privada Superior Council of Private Enterprise
COTESAN	Comite Tecnico de Salubridad Nacional Technical Committee on National Healthiness
FISE	Emergency Social Investment Fund
GISSAN	El Grupo de Interés de Soberanía y Seguridad Alimentaria y Nutricional Interest Group on Sovereignty and Food Security and Nutrition
GON	Government of Nicaragua
HIPC	Heavily Indebted Poor Country
IDB	Inter-American Development Bank
IDR	Instituto de Desarrollo Rural Rural Development Institute
IMF	International Monetary Fund
INIFOM	Instituto Nicaragüense de Desarrollo Municipal Nicaraguan Institute of Municipal Development
INTA	Nicaraguan Institute of Agricultural Technology Instituto Nicaragüense de Tecnología Agropecuaria
FSLN	Frente Sandinista de Liberación Nacional Sandinista National Liberation Front
PLC	Partido Liberal Constitucional Liberal Constitutionalist Party

FAO	Food and Agriculture Organization
MAGFOR	Ministerio Agropecuario y Forestal Ministry of Agriculture and Forestry
MECD	Ministerio de Educacion, Cultura y Deportes Ministry of Education, Cultura and Sports
MiFamilia	Ministry of the Family Ministerio de la Familia
MINSA	Ministerio de Salud Ministry of Health
PND	Plan Nacional de Desarrollo National Development Plan
PRODEP	Proyecto de Ordenamiento de la Propiedad World Bank's Land Administration Project
PRSP	Poverty Reduction Strategy Paper
SISSAN	Sistema de Información para el Seguimiento de la Seguridad Alimentaria y Nutricional System of Information for the Monitoring of Food and Nutritional Security
UPANIC	Unión de Productores Agropecuarios de Nicaragua Farmers Union of Nicaragua
UNAG	Union Nacional de Agricultores y Ganaderos de Nicaragua National Union of Agriculturalists and Cattle Ranchers of Nicaragua
WFP	World Food Program

## Table of Contents

<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>ACRONYMS .....</b>	<b>6</b>
<b>1. PURPOSE OF THE STUDY .....</b>	<b>10</b>
<b>2. INTRODUCTION TO DEMOCRACY AND GOVERNANCE IN NICARAGUA .....</b>	<b>11</b>
2.1. DEMOCRACY, GOVERNANCE, AND FOOD SECURITY IN NICARAGUA.....	11
2.2. HISTORICAL BACKGROUND.....	12
2.3. GOVERNANCE LEGACY IN POST -CONFLICT NICARAGUA.....	14
<b>3. POVERTY, MALNUTRITION, AND VULNERABILITY: THE STATE OF FOOD SECURITY IN NICARAGUA .....</b>	<b>17</b>
3.1. MALNUTRITION AND FOOD INSECURITY IN NICARAGUA .....	17
3.2. FOOD AVAILABILITY.....	18
3.3. FOOD ACCESS.....	19
3.4. FOOD UTILIZATION.....	20
3.5. FOOD INSECURITY AND ECONOMICALLY VULNERABLE GROUPS.....	21
3.6. SUMMARY CONCLUSIONS.....	23
<b>4. FOOD SECURITY POLICIES AND PROGRAMS IN NICARAGUA .....</b>	<b>24</b>
4.1. KEY ELEMENTS OF A HOST GOVERNMENT FOOD SECURITY STRATEGY .....	24
4.2. FOOD SECURITY POLICY IN NICARAGUA.....	25
4.3. FOOD SECURITY PROGRAMS IN NICARAGUA.....	27
4.4. SUMMARY FINDINGS .....	29
<b>5. PUBLIC SECTOR CAPACITY FOR IMPLEMENTING FOOD SECURITY POLICY.....</b>	<b>31</b>
5.1. CAPACITY FOR FOOD SECURITY AT THE NATIONAL LEVEL.....	31
5.2. CONSTRAINTS TO IMPROVED INSTITUTIONAL CAPACITY AT THE NATIONAL LEVEL.....	33
5.3. NATIONAL GOVERNMENT CAPACITY TO DELIVER SERVICES AT THE LOCAL LEVEL.....	35
5.4. CAPACITIES AND CONSTRAINTS OF LOCAL GOVERNMENT IN NICARAGUA.....	36
5.5. SUMMARY CONCLUSIONS.....	38
<b>6. CONSTITUENCIES: BUILDING SUPPORT FOR A FOOD SECURITY STRATEGY .....</b>	<b>39</b>
6.1. GETTING FOOD SECURITY ON THE POLITICAL AGENDA.....	39
6.2. THE POLITICAL/POLICY-MAKING CONTEXT FOR FOOD SECURITY.....	39
6.3. ASSESSING SUPPORT FOR A FOOD SECURITY POLICY.....	40
6.4. THE IMPORTANCE OF BUILDING POLITICAL SUPPORT : THE CASE OF THE GLASS OF MILK PROGRAM.....	46
6.5. CONCLUSIONS: BUILDING SUPPORT FOR FOOD SECURITY.....	48
<b>7. RULE OF LAW AND PROPERTY RIGHTS: IMPACT ON AGRICULTURAL AND ECONOMIC GROWTH .....</b>	<b>50</b>
7.1. RULE OF LAW AND FOOD SECURITY.....	50
7.2. LAND TENURE AND TITLING IN NICARAGUA.....	50
7.3. IMPACT OF LAND SECURITY AND TITLING ISSUES ON AGRICULTURAL INVESTMENT.....	51
7.4. RULE OF LAW , AGRICULTURAL PRODUCTION, AND ECONOMIC GROWTH.....	52
7.5. CONCLUSIONS.....	54
<b>8. THE GOVERNANCE CONSTRAINTS TO FOOD SECURITY IN NICARAGUA .....</b>	<b>55</b>
8.1. LINKING GOVERNANCE AND FOOD SECURITY.....	55
8.2. THE POLICY PROCESS.....	56
8.3. PUBLIC SECTOR CAPACITY.....	57
8.4. RULE OF LAW AND ACCESS TO LAND.....	58

8.5.	PARTICIPATION OF FOOD INSECURE GROUPS: ECONOMIC AND POLITICAL EXCLUSION? .....	59
9.	<b>BIBLIOGRAPHY .....</b>	<b>60</b>
10.	<b>LIST OF PEOPLE INTERVIEWED .....</b>	<b>63</b>
11.	<b>ANNEX A: THE POLICYMAKING ENVIRONMENT IN NICARAGUA .....</b>	<b>65</b>

# 1. Purpose of the Study

In 2003, USAID's Office of Democracy and Governance, in partnership with Food for Peace, created a Working Group to examine the relationship between governance and food security. The goal of the Working Group is to develop programmatic recommendations for addressing the underlying governance deficiencies that perpetuate food insecurity. In order to do so, it is necessary to first identify common governance obstacles to improving food security.

As has become increasingly clear, the underlying causes of famine and food insecurity are often related to governance, including policy failures, ineffective institutions, unaccountable leaders, and conflict. Climatic shocks or other natural emergencies may be the most visible trigger event precipitating a crisis, but are not generally the sole cause.

The driving hypothesis of the project is that effective governance is one of the keys to achieving food security. As the USAID report *Foreign Aid in the National Interest* points out, "[W]ithout good governance, it is impossible to foster development. No amount of resources transferred or infrastructure built can compensate for – or survive – bad governance".<sup>1</sup>

In order to develop more effective and targeted programs to help countries become food secure it is necessary to better understand the relationship between governance and food security. To this end, a draft assessment framework was developed to provide a streamlined, though systematic, method for identifying the governance constraints that create and/or reinforce the conditions that perpetuate food insecurity in a given country. The assessment tool is designed to look more specifically at how governance intersects food security problems in a focused and country specific setting.

This study represents the first case study from the Governance and Food Security initiative, and the pilot for testing the assessment tool. This assessment seeks to answer the following questions:

- a) To what extent does poor governance contribute to the perpetuation of food insecurity?
- b) What are the specific governance constraints that most significantly impact food security?

The Nicaragua assessment is the first in a series of governance and food security assessments to be conducted.

---

<sup>1</sup> U.S. Agency for International Development (USAID), *Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity* (USAID: Washington, DC, 2002), PD-ABW-900.

## 2. Introduction to Democracy and Governance in Nicaragua

### 2.1. Democracy, Governance, and Food Security in Nicaragua

Nearly 15 years have passed since the Sandinistas peacefully transferred power to a democratically elected government in Nicaragua. Two more peaceful transfers of power have since taken place, and a return to violent conflict no longer poses an immediate threat. Still, these important indicators of political stability and democratic consolidation belie a deeper set of development problems; problems that are deeply entrenched and difficult to overcome.

The legacies of the Somoza and Sandinista regimes, as well as of the armed conflict of the 1980s, can still be felt in the social, economic and political spheres. Nicaragua remains a highly polarized country politically, and a highly unequal society economically. This acute political polarization of society (particularly among elites) points to a broader lack of national consensus on the role of the state in the economy and society. This lack of consensus, and the highly charged political atmosphere it creates, makes policymaking difficult. Moreover, state institutions have become an arena in which this polarization is played out. Institutions are not simply ineffective in a technical sense, but instead find their roles profoundly distorted.

Nicaragua's population, meanwhile, remains trapped in poverty. Nicaragua remains a poor country, the second poorest in the Western hemisphere after Haiti. Slow rates of economic growth in recent years have not been enough to lift the majority of the population out of grinding poverty. According to the World Bank, fully 45% of Nicaragua's population lives under \$1 per day.<sup>2</sup>

Indicators on the nutritional status of Nicaragua's population, moreover, paint a grim picture. Fully 29% of Nicaragua's population is estimated to be undernourished.<sup>3</sup> The continued high levels of undernourishment and childhood malnutrition are even more alarming when one takes into account the high levels of food aid Nicaragua receives.

Overall, it is clear that one of the most serious and detrimental manifestations of Nicaragua's delayed development is chronic food insecurity. If trends in the 1990s are to carry on, the UNDP finds that Nicaragua would be "far behind" in terms of progress toward the Millennium Development Goal of halving the proportion of people suffering from hunger. But, what drives this constant state of food shortages in a country with an abundance of arable land, fertile soil, and generally good water resources in most parts of the country? Why are nearly 30% of the people undernourished or having difficulties accessing food? Is food insecurity a product of environmental constraints and financial resource gaps, or is it something more? What role does human agency play in this problem? Does poor governance create the conditions that perpetuate food insecurity? This report focuses directly on the question of governance and seeks to identify its role in creating, perpetuating, or simply failing to address food security.

---

<sup>2</sup> World Bank, *Millennium Development Goals, Nicaragua Country Profiles*.  
<http://devdata.worldbank.org/idg/IDGProfile.asp?CCODE=NIC&CNAME=Nicaragua&SelectedCountry=NIC>.

<sup>3</sup> United Nations Development Programme (UNDP), *Human Development Report 2002: Deepening democracy in a fragmented world* (New York: Oxford University Press, 2002), 172.

## 2.2. Historical Background

The past thirty years of Nicaragua's history have been characterized by political polarization, insurrection, and civil war. But problems of polarization and conflict are not particularly recent phenomena – with the exception of the extended Somoza dynasty dictatorship between 1936 and 1979, Nicaragua's political history since independence has been marked by nearly unabated polarization and frequent conflict over who and how the country should be governed.

Nicaragua's polarized discord can be traced back to independence in the early 19<sup>th</sup> century and a bloody conflict between interests based in Leon and those in Granada over the location for the country's capital. After independence, the country's politics broke into two camps – the Liberals and the Conservatives. Though the Conservatives governed from 1857 to 1893, there were frequent political skirmishes that ultimately led to a civil war that brought a Liberal-led coalition to power. Liberal dominance was relatively short-lived. In 1909, they were forced out by the Conservatives backed by Britain with the aid of the U.S. Marines. The period between 1909 and 1936 was characterized by frequent conflict and an insurrection led by Augusto Cesar Sandino against the US Marine backed Conservative governments. However, with the death of Sandino, and the strengthening of the National Guard, headed by General Anastasio Somoza Garcia, some semblance of stability was restored. The Conservatives held power until 1936, when Somoza won the presidency with backing from the Liberals.

### 2.2.1. The Somoza Dynasty

Shortly after taking power, Somoza quickly moved to tighten his control over the National Guard and the Liberal Party and to cement the bases for a dynasty that lasted over 40 years. Between 1936 and 1979, three members of the Somoza family ruled: Anastasio Somoza Garcia, from 1936 until 1956, when he was assassinated; Luis Somoza, from 1956 until 1963 when he stepped down for the election of Rene Schick<sup>4</sup>; and, Anastasio Somoza Debayle, from 1967 until overthrown by the *Frente Sandinista de Liberacion Nacional* (FSLN also known as the Sandinistas) in 1979.

The Somoza family ruled Nicaragua by both co-opting the opposition or through the selective repression of opposition groups. Political pacts were formed to co-opt potential opposition. The Kupia-Kumi pact, initiated in the wake of massive scandals and widespread protests over mismanagement of the 1972 earthquake relief effort, provided a 3-person junta that ruled from 1972 to 1974, but was actually controlled by Somoza Debayle from behind the scenes.

The relative peace of the Somoza dynasty brought agricultural modernization, increasing integration with Central America, and considerable economic growth and prosperity for a newly created middle-class, particularly during the 1960s. The early 1970s brought the beginnings of growing conflict and renewed polarization. After the 1972 earthquake, Somoza began to abandon or ignore earlier agreements and demands of key elements of his coalition (particularly among private sector interests in construction, commerce, and banking), and his personal fortune rose dramatically. Open hostilities also began with the growing Sandinista movement in 1977 and its attacks on National Guard *cuartels* in outlying cities. Somoza responded with a series of measures to stifle opposition, further feeding discontent among the middle class and growing numbers of the economic elite.

---

<sup>4</sup> Schick died in 1966 and was succeeded by his vice-president. Anastasio Somoza Debayle was elected president in 1967, and subsequently amended the constitution to allow successive terms.

### **2.2.2. FSLN**

In 1977, three groups merged into the FSLN or Sandinistas and led the insurrection that resulted in the downfall of Somoza Debayle in 1979. Though a wide number of groups and interests (particularly among the economic elite and middle class) supported the Sandinistas, once in power, the FSLN forced out most of these groups (many of whom went into exile) and moved swiftly to consolidate its power and develop a governing structure based on one party rule. A directorate of the FSLN composed of the nine principal commanders ruled until 1984, when international pressure forced elections and the FSLN's Daniel Ortega became president.

The Sandinista acted to break the power of the economic elite by expropriating and redistributing land. Many questioned the legitimacy of the land reform, including those whose lands were expropriated. Tight control, reduced civil liberties, and the polarizing dominance of the FSLN led to the formation of a new insurgency – popularly known as the Contra movement backed by the U.S. government. Conflict grew rapidly in the mid-eighties to the point where military expenditures consumed over half of Nicaragua's national budget and the armed forces had nearly doubled to 100,000.<sup>5</sup> Due in large part to international pressure, the Sandinista government eventually initiated democratic reforms leading to free and fair elections. Elections were held in 1990 and Conservative Violeta Barrios de Chamorro emerged as the winner over Daniel Ortega.

### **2.2.3. Return to Democratic Rule: The Chamorro, Alemán, and Bolaños Administrations**

The Chamorro period was characterized by polarization and an uneasy peace punctuated by sporadic periods of conflict and violence. The Conservatives won the election, but they had little control over vast parts of the government. The legislature was dominated by the FSLN; the courts remained staffed with Sandinista appointed judges. The bureaucracy consisted largely of Sandinista loyalists, and the military, though largely demobilized, remained under the command of Daniel Ortega's brother.

Important political reforms were initiated, particularly in the areas of political freedoms and political participation. But the sizable presence of a difficult FSLN opposition precluded quick return of investment, prevented passage of important economic policy and fiscal initiatives, and stymied formulation of solutions to difficult problems such as the return of expropriated property.

Chamorro was followed by Arnoldo Alemán, who managed to reconstruct the Liberal party through the merging of three groups, and won the presidency over Daniel Ortega and the FSLN. Though Alemán won handily, he had difficulty in passing his legislative agenda due to the continuing strength of the FSLN in the National Assembly. Charges of corruption at the very highest level plagued the administration and contributed to Alemán's difficulty in getting policy adopted and implemented. According to a Democracy and Governance Assessment conducted in 2003, Alemán's concern with "turning his Liberal coalition into a forceful political machine... reversed many incipient governance reforms introduced by Mrs. Chamorro."<sup>6</sup> In 1999, Alemán negotiated a pact with Ortega to divide power and positions in both the legislature and the courts, thus ensuring a greater level of cooperation from the Sandinistas, but at what many consider to be an exorbitant political cost.

Enrique Bolaños Geyer won the 2002 presidential election by a very comfortable margin over former President Daniel Ortega of the FSLN, despite having only the lukewarm support of Alemán and his Partido Liberal Constitucional (PLC). After the election, Bolaños maintained and even briefly increased popular support through his decision to prosecute the former president on charges of corruption. Alemán

---

<sup>5</sup> Associates in Rural Development (ARD), Inc., *Democracy and Governance Assessment in Nicaragua* (ARD: Washington, DC, June 2003), 5.

<sup>6</sup> Ibid.

was eventually stripped of his Congressional immunity, brought to trial on corruption charges, and convicted. He is now in prison. Bolaños' popularity began to slip, however, once the former president was imprisoned. Bolaños is now saddled with low popularity and is without a sufficiently solid base of support upon which to move ahead with any sort of serious political agenda.

### 2.3. Governance Legacy in Post-Conflict Nicaragua<sup>7</sup>

As this brief historical review suggests, the last 28 years has not produced an environment of easy governance. Conflict and polarization has typified not only most of Nicaragua's history but has had a particularly grave impact on governments over the past 15 years. Polarization and a fairly even division of political power between the leftist FSLN and the Liberals and Conservatives on the right has been an obstacle to developing strong legislative programs, effective policy, and expedient, effective policy implementation.

A recent Democracy and Governance Assessment in Nicaragua provides insight into the democracy and governance challenges presently facing Nicaragua. According to the Democracy-Governance Assessment framework, developed by USAID, democracy is characterized by five main qualities:

- 1) **Consensus** on the boundaries and role of the state and certain fundamental rules of the game that allow legitimacy to be established and upon which resolution of disputes can be based
- 2) **Rule of law** that adjudicates and enforces the rules of the game and the laws interpreting those rules
- 3) **Competition** that provides for open and pluralistic discussion of differing interests and ideas and fair and transparent means of reconciling these for the public good
- 4) **Inclusion**, where all citizens are free to participate both in governmental and non-governmental activities
- 5) **Good governance**, where those elected to govern provide for needs and desired services demanded by the citizenry efficiently and effectively, with transparency and accountability.

The Democracy and Governance Assessment in Nicaragua outlines the primary challenges that Nicaragua faces in terms of democracy and governance as summarized below.

***1) A lack of consensus remains a serious problem for Nicaragua's fledgling democracy as reflected by its deep-rooted political polarization.*** Although some general basics such as instituting elections rather than violence for changes of government, freedom of speech, and freedom of assembly are reasonably well established, there remain significant areas of disagreement on such issues as the development and implementation of an appropriate economic model, visions about the role of the state, and the role of competition. It can be argued that Nicaragua remains in a "post-conflict" state with some problems resolved but others not. This is reflected in the rather entrenched polarization that exists between the two main political forces of the FSLN and the PLC and their respective caudillos.<sup>8</sup> The PLC's neo-liberal orientation remains anathema to the FSLN and the FSLN's statist orientation finds an equally un-receptive attitude in the PLC. These sorts of fundamental differences stand in the way of finding middle roads to solving grave problems such as land-tenure and increasing economic growth. Differences in definition of the role of the state have resulted in low fiscal capacity and an inability to put

---

<sup>7</sup> The following section draws heavily on the June 2003, *Democracy and Governance Assessment in Nicaragua*, conducted by ARD.

<sup>8</sup> *Caudillo* is a Spanish word used to refer to a strong leader with authoritarian tendencies.

into effect a genuine development plan. The possibility that an FSLN government would return Nicaragua to a more statist model causes serious concern among potential investors. The presence of caudillos in each party reflects a lack of internal democracy and non-acceptance of competition as a governing principle for their organizations and the state. Non-competitive criteria places party loyalty ahead of capacity in the selection of public officials, thereby corrupting accountability and reducing the level of the state's efficiency.

**2) Clientelism and patrimonialism trump rule of law as institutions of democratic governance that should guarantee the rule of law have been co-opted by the caudillos .<sup>9</sup>** Under the terms of a 'pact' between the FSLN and the PLC, the FSLN gained control of the Presidency of the Supreme Court and the administration of the judiciary. Some observers argue that this assures *seguridad juridica* for the Sandinistas and assures that cases will be decided from a Sandinista perspective. Much of the judicial system is widely seen as corrupt and highly susceptible to political influence. The rule of law is also complicated by the fact that two very different sets of actors and ideologies have dominated the country for the past 25 years. The combination of a politically controlled court, endemic corruption, and complicated disputes has produced an environment of tenuous legal security.

**3) Caudillo-based political parties are only weakly representative and have the effect of limiting political competition in Nicaragua.** If relatively free and fair elections alone define competition, there is clearly competition in Nicaragua. However, that competition is limited by the control of the two caudillos, Daniel Ortega and Arnoldo Alemán, over their respective political parties and the lack of internal democracy in each. As the Democracy and Governance Assessment points out, competition between the two caudillos and their parties is for the spoils of the system rather than the public good.<sup>10</sup> While the president may not serve successive terms, reelection is permitted, thus assuring an incentive for the caudillo to remain in control of the party, and diminishing internal competition. The heavy hand of the caudillos in the selection of candidates for the National Assembly and local office dampens competition. The control of Ortega and Alemán limits the expression of and competition new ideas and slows the infusion of new and capable talent into both FSLN and the PLC.

**4) Declining support for the government by urban and rural marginal social groups indicates significant problems with political as well as economic inclusion.** The main factor contributing to lack of inclusion is poverty.<sup>11</sup> Nicaragua's per capita income is the lowest in Central and South America—70% of the population is considered extremely poor while 30% is acutely poor.<sup>12</sup> The most acute problems of poverty and unemployment are found in rural areas. With few skills and no capital, the rural poor's possibilities for meaningful economic participation by are virtually nil, particularly in a climate of economic policy geared primarily toward large scale agro-business export led growth.

Economic exclusion is accompanied by an absence of opportunities for participation and channels for expression of demands. The rural poor have relatively limited access for meaningful political participation. Even if such means are available (there are a number of NGOs and civil society organizations that operate in the rural areas, but most are found in the larger towns), the daily needs of survival leave little energy for participation.

---

<sup>9</sup> For a fuller analysis, see the *Democracy and Governance Assessment in Nicaragua*. Ibid, 8-9.

<sup>10</sup> Ibid, 10.

<sup>11</sup> The *Democracy and Governance Assessment* points out that there is discrimination against ethnic minorities in the Atlantic Coast region and that Nicaragua has a tradition of discrimination against women. These exclusion problems are compounded by poverty. Ibid, 10-11.

<sup>12</sup> Ibid.

**5) Nicaragua good governance problems are derived from multiple sources.** While the public sector dominates Nicaragua, the budget—because of the country’s small GDP—is also relatively small. Nicaragua has significant infrastructure deficits but its capacity to generate income remains handicapped. The result being that most of the nationally funded budget goes only to salaries and other current expenditures while budget for capital expenditures comes largely from external sources. Centralization also contributes to poor governance – particularly in the delivery of public goods and services outside of Managua and the other major urban centers. While larger municipal governments have the capacity to provide certain services (e.g., garbage collection, sewerage, and street maintenance), it is the national government that is responsible for the important functions of health, education, social welfare, and agricultural development services. Budgets for these services, however, at the local departmental level are extremely thin, with often no more funding than for salaries. At the same time, supervision of service delivery is inadequate. Finally, as the Democracy and Governance Assessment highlights, patrimonialism and corruption further erode good governance.

This overview has outlined the deep historical underpinnings which have shaped Nicaragua’s system of governance. The overarching democracy and governance issues outlined above interact in complex ways, shaping the way policy is made and affecting development outcomes. These democracy and governance constraints affect sectoral issues —such as food security —in concrete and direct ways. The following section will look at the state of food security, before turning to issues affecting food security policy in Nicaragua.

### 3. Poverty, Malnutrition, and Vulnerability: The State of Food Security in Nicaragua

#### 3.1. Malnutrition and Food Insecurity in Nicaragua

Poverty reduction remains one of Nicaragua's most significant development challenges. A substantial proportion of Nicaragua's rural population remains mired in poverty. Entrenched poverty and long term economic stagnation has led to high levels of malnutrition and other indicators of chronic food insecurity.

Three of the key measures for assessing the degree of food insecurity are undernourishment, chronic malnutrition, and acute malnutrition. Statistics on undernourishment reflect FAO attempts to estimate the number of people not having enough food through macro-level calculations of a country's food supply, individual's caloric requirements, and the country's income distribution. The FAO estimates that approximately 29% of Nicaragua's population is undernourished. These figures are comparable to Uganda (28%) and Malawi (35%).<sup>13</sup>

Malnutrition, in contrast, is as a nutritional condition resulting from insufficient calories or protein, which can lead to impaired mental and physical development and increased susceptibility to illness. Acute malnutrition or wasting reflects severely inadequate nutrition.<sup>14</sup>

Nicaragua suffers from high rates of chronic malnutrition, with a much lower incidence of acute malnutrition. In 2001, an estimated 20.2% of Nicaraguan children under 5 suffered from chronic malnutrition (indicated by height for age). This can be compared to other food aid recipients such as Uganda (34%) and Malawi (44.5%).<sup>15</sup> Acute malnutrition is not as widespread in Nicaragua, with an estimated 2% rate among children, as compared to 5.1% and 6.9% with Uganda and Malawi respectively.<sup>16</sup> More positively in terms of trends, the Demographic and Health survey for Nicaragua found that chronic malnutrition has been declining, from 24.9 % in 1998 to 20.2 % in 2001.<sup>17</sup> Additional comparative data on weight per age is included in Table 3.1.

Malnutrition is one of the most visible manifestations of food insecurity in a country. USAID defines food security as the state when, "when all people at all times have both physical and economic access to sufficient food to meet their dietary needs for a productive and healthy life."<sup>18</sup> The basic elements of food security, in this conceptualization, are: availability, access and utilization. A similar food security

---

<sup>13</sup> UNDP, 2002.

<sup>14</sup> Acute malnutrition is usually measured for children, with the ratio of a child's weight to height, or in the case of an infant, weight for length.

<sup>15</sup> Chronic malnutrition, or stunting, is an indicator of past growth failure, thus implying a state of longer term (i.e., weeks to months or years) undernutrition. The ratio of a child's height for age is typically taken as the indicator for chronic malnutrition.

<sup>16</sup> Demographics and Health Surveys Stat Compiler accessed at <http://www.measuredhs.com/> for Malawi and Uganda Statistics. These figures are for the year 2000.

<sup>17</sup> Macro International, *Nicaragua Demographic and Health Survey 2001* (Macro International: Calverton, MD, 2002), 243. <http://www.measuredhs.com/pubs/pdf/FR135/10Chapter10.pdf>

<sup>18</sup> USAID, Bureau for Policy and Program Coordination. *Food Aid and Food Security Policy Paper* (USAID: Washington, DC, 1995), PN-ABU-219. [http://www.dec.org/pdf\\_docs/PNABU219.pdf](http://www.dec.org/pdf_docs/PNABU219.pdf)

framework is used by the United Nations Food and Agriculture Organization and other stakeholders. The basic status of food security for Nicaragua, using this conceptual framework, is briefly reviewed below.

### **3.2. Food Availability**

Food availability refers to the existence of sufficient food supplies to provide a country's entire population with a nutritionally adequate diet. While national agricultural production is the principal element of food availability, food reserves, international trade, or food assistance be an important component of food availability.

Some positive trends can be seen in the Nicaraguan agricultural sector in the last decade in terms of food availability. Most significant of these is the increasing production of staple food crops. Nicaraguan production of grains and roots has increased by 50 percent in the period 1994-2002 outpacing other Central American countries, illustrating some progress in terms of providing for the local market.

It is important to recognize, however, that a significant amount of Nicaragua's available food comes from food aid. The United States is by far the principal supplier of food aid to Nicaragua, supplying virtually 100 percent in 2003. In 2003 the U.S. government, through USAID-administered Public Law (PL) 480 Title II, United States Department of Agriculture-administered programs (including PL 489 Title I, Section 416, and McGovern-Dole School Feeding), and the World Food Program supplied 61,900 metric tons of food assistance.

Food assistance to Nicaragua remains fairly high in per capita terms compared to other food aid recipient countries. It is second only to Haiti in the Latin America region. Nicaragua received an annual average of 13.3 kilograms of food aid per capita from 2001-2003, compared to 16.2 kilograms in Ethiopia, 16.6 kilograms in Haiti, and 9.0 in Honduras and 10.1 in Malawi (see Table 3.1).

Food aid to Nicaragua in 1999-2001 was significantly higher due to Hurricane Mitch, reaching 26.1 kilograms per capita on average. During that period, food aid as a percentage of supplies reached 14.9% (see Table 3.1). Both food distribution and income support programs have been an important part of food security for many poor people in Nicaragua in recent years. Although long term trends indicate a decline, by most measures, Nicaragua remains highly dependent upon food aid.

Still, a discussion on food availability in Nicaragua should underscore Nicaragua's potential for agricultural development. Fertile volcanic soil in the Pacific regions, a large amount of arable land per capita, and low agricultural productivity gives Nicaragua scope to increase agricultural production (see Table 3.1 for comparative data on arable land per capita).

Table 3.1 Food security and food aid related indicators for Nicaragua and selected countries

	GDP per capita	%Underweight for age (children under 5)	Arable land (hectares) per capita	Food aid per capita (in kgs. annual average 2001–2003)	Food aid as % of supplies (annual average 99-01)
Nicaragua	2,366	12	0.50	13.3	14.9
Bolivia	2,424	10	0.24	10.4	3.2
Ethiopia	668	47	0.16	16.2	11.6
Haiti	1,467	28	0.07	16.6	10.9
Honduras	2,453	25	0.22	9.0	9.3
Malawi	615	25	0.20	10.1	1.4
Uganda	1,208	26	0.23	5.5	2.1

Source: UNDP Human Development Report 2002, World Development Indicators 2003, and USDA 2004.

### 3.3. Food Access

Access refers to the ability of people to obtain food, by purchase, production, or by food distribution. A substantial amount of food production in rural areas is for self consumption, but for most people food must be purchased.

The concept of “undernourishment” measures access. This measure is based on comparing the cost of available food with a country’s income distribution. In Nicaragua, it is estimated that nearly 30% of households are without the income to purchase the sufficient food. Using a different calculation, the Living Standards Measurement Survey estimates that 15% of the population lacked enough income to purchase a basic basket of food equaling 2,200 calories per person.<sup>19</sup>

According to a recent USAID funded food security assessment, the three principal reasons for the significant lack of access to food in Nicaragua are: a highly skewed distribution of income, a highly skewed distribution of land affecting the poor in the rural areas, and a low level of national and per capita income. Van Haeften (2002) identifies income distribution as more important than overall national food availability, albeit low, as the more important source of food insecurity.<sup>20</sup>

Income distribution in Nicaragua is highly skewed. The poorest fifth of the Nicaraguan population eke out a meager 2.8% of the total national income, while the richest 20% consumes 60.5% of the total national income. Improving the food security of the most food insecure is impeded by the lack of equity in the distribution of the national income between the rich and poor.<sup>21</sup>

The distribution of land in present day Nicaragua remains highly concentrated despite the land reform implemented by the Sandinista government. Sixty percent of the land is owned by 11 % of the landowners. Twenty percent of the landowners have less than 3.5 acres, representing only one percent of

<sup>19</sup> Government of Nicaragua (GON), Instituto Nacional de Estadísticas y Censos (INEC). *Comparative Profile of Poverty in Nicaragua (Perfil Comparativo de la Pobreza en Nicaragua)*, (Managua: 2003), 17.

<sup>20</sup> Roberta Van Haeften, *Public Law 480 Bellmon Analysis* (Managua: USAID, November 2002).

<sup>21</sup> UNDP, *El Desarrollo Humano en Nicaragua 2000* (2001), 75. <http://www.undp.org.ni/idhnicaragua/pdf.htm>

the land, while 24% live on 3.5–9 acres, representing 3% of the land. Thus 44% of the landowners live on 4% of the land.<sup>22</sup>

Nicaragua has suffered from long term economic stagnation. The economy went into a prolonged recession beginning in the mid-eighties due to inflationary economic policies of the Sandinista government, the impact of the U.S. embargo, and the impact of natural disasters. The Chamorro government took over in 1990 and implemented free market reforms which sparked economic growth by 1994. But the economy suffered another setback when Hurricane Mitch devastated much of the country in 1998, and again when coffee prices dropped sharply in 2001.

Despite the economic growth achieved in the nineties, Nicaragua's GDP per capita in 2000 is down by more than 50% from its 1977 level.<sup>23</sup> This decline in per capita income, which has occurred over an extended period, is an extremely important factor influencing food security in Nicaragua.

A recent poverty assessment conducted by the World Bank highlights the impact of this prolonged economic stagnation on income levels. While progress has been made in reducing overall poverty levels over the past decade, poverty remains high at 45.8%. Extreme poverty is trending down, but remains at 15.1%. These aggregate figures at the national level, however, fail to reveal if the full extent of extreme poverty is higher in rural areas. In 2001, 27.4% of rural Nicaraguans lived in extreme poverty, down from 36.3% in 1993.<sup>24</sup> These estimates do not reflect the full impact of the 2001 coffee crisis, however. A serious decline in the world market price of coffee accompanied by a drought, has affected incomes in the coffee producing regions and is likely to have a negative impact on poverty rates after 2001.<sup>25</sup>

Recently, however, Nicaragua has experienced a period of slow economic recovery and even growth. The current Bolaños administration is pursuing an agro-export oriented economic development strategy and has stabilized the economy. The economy is growing, albeit at a rate of 2.3% in 2003.

### 3.4. Food Utilization

Food utilization, as part of food security, refers to the storage, preparation and consumption of food. Even if there is enough food available to an individual, it may not be properly used. Two key issues are reduced absorption of food due to illness, and lack of knowledge of proper foods or feeding. In general food utilization issues are of great concern for the poorest. Lack of clean water and proper sanitation can easily lead to a number of diseases. Diseases that cause diarrhea can cause death by dehydration and also severely limit nutrient uptake from food. Other diseases, such as measles, can weaken children and prevent adequate nutrition. The impact of disease is greatest on children who are malnourished, and consequently who are less able to fight off disease.

---

<sup>22</sup> Ibid, 76.

<sup>23</sup> According to the UNDP 2002, GDP per capita in 1977 was \$5,284 with its highest value during 1975–2000. In 2000, GDP per capita was \$2,366.

<sup>24</sup> World Bank 2003.

<sup>25</sup> According to the Food and Agriculture Organization (FAO), the percentage of Nicaragua's labor force engaged in the agricultural sector from production to processing has decreased from 40% in 1970–1979 to approximately 19% in 1991–2001. Current rates of unemployment and under employment, 15% and 30% in 2001 respectively, means that the manufacturing and service sectors are not absorbing significant numbers of workers. FAO, *World Agricultural Census: 2001* (FAO: 2001), 20.

Basic water and sanitation infrastructure in Nicaragua has progressed very modestly, with less than half of the homes in rural areas having access to safe basic services.<sup>26</sup> Diarrhea and upper respiratory infections for children under five year's old show little progress since the early 1990s.<sup>27</sup> Nonetheless immunization rates for childhood diseases are high.

### **3.5. Food Insecurity and Economically Vulnerable Groups**

Thus far, the discussion has looked at food security and poverty in national terms. The reality in Nicaragua, as elsewhere, is that there are groups in society that are particularly vulnerable to food insecurity. Moreover, the nature and causes of their vulnerability may differ in very real ways. This section briefly reviews the status of some particularly vulnerable groups in Nicaragua.

#### **3.5.1. Subsistence Farmers**

Subsistence farmers form a large part of the extreme poor. A recent World Bank poverty assessment found that, “[F]amilies with small farm sizes are just as poor as landless agricultural wage earner [ ] agriculture—for the smallest and the poorest—was not a major factor enabling families to exit poverty, but rather was used as a subsistence and food security strategy”.<sup>28</sup>

Families relying on subsistence farming find it difficult to use agriculture to lift themselves out of poverty. Subsistence farmers produce basic crops, (principally corn, beans and rice), rather than high-value crops such as vegetables. Production technology is typically not very advanced, with limited application of fertilizer and improved seed varieties. Competition in the production of these staple crops is high, with mechanized high-volume production elsewhere keeping world market prices relatively low. Insufficient investment in general infrastructure, such as roads and electricity, as well as agricultural infrastructure, such as irrigation and storage facilities, limits productive opportunities.<sup>29</sup>

#### **3.5.2. Rural wage laborers**

Subsistence farmers are the most recognizable face of rural poverty. Yet the swelling ranks of rural wage laborers working primarily in the agricultural sector can be even more vulnerable to economic shocks than subsistence farmers. Rural wage laborers comprise both subsistence farmers, needing to supplement their incomes through wage labor, as well as the landless. Landless laborers are particularly vulnerable as they have few assets, and are dependent upon employment that can be seasonal and insecure.<sup>30</sup>

Coffee has been a leading generator of rural employment, providing employment to over 30% of the agricultural workforce.<sup>31</sup> The sharp decline in coffee prices in recent years has had a real impact on incomes in the central regions, with agricultural laborers feeling the brunt of the crisis. Rural unemployment has not recovered from the coffee crisis.

---

<sup>26</sup> World Bank, *World Development Indicators*, (World Bank: Washington D.C., 2003b).

<sup>27</sup> Ibid.

<sup>28</sup> World Bank, *Nicaragua Poverty Assessment: Raising Welfare and Reducing Vulnerability* (World Bank: Washington, DC, December 2003), 36.

<sup>29</sup> Ibid.

<sup>30</sup> Landlessness has many different origins in Nicaragua. In some cases, beneficiaries of the Sandinista land reform sold off their property. Other categories of landless include demobilized soldiers and former members of cooperatives organized by the Sandinistas that have since failed. Landlessness and rural unemployment is a growing problem for youth. Ian Christopolos, “Extension, Poverty and Vulnerability in Nicaragua Country Study for the Neuchatel Initiative” Working Paper 150. (Overseas Development Institute: 2001).

<sup>31</sup> Van Haeften 2002, 26.

One striking finding of the World Bank poverty study is that workers non-agricultural employment had their incidence of poverty cut twice as much as those relying on agricultural wage labor.<sup>32</sup> This strongly suggests that in addition to enhancing the livelihoods of the rural poor through increased small holder production, generalized economic growth with job creation will need to be a key part of a poverty alleviation and food security strategy.

### **3.5.3. Indigenous populations in the Atlantic Coast**

The Autonomy Law of 1987 created two autonomous regional governments in the Atlantic coastal region: the regional autonomous Atlantic government of the north, RAAN, and of the south, RAAS. According to an Inter-American Development Bank (IDB) report, the intent of creating semi-autonomous regions was to “empower the region’s inhabitants by uniquely allowing them to address regionally-specific concerns through regional forms of government to which central government institutions were theoretically accountable.”<sup>33</sup>

The incidence of poverty in the Atlantic coast region is high. Approximately 76% of the rural population of the Atlantic region fell below the poverty line in 2001, according to the World Bank Poverty Assessment.<sup>34</sup> Despite high levels of poverty, the Atlantic coast generally receives a disproportionately low share of already limited central government resources dedicated to programs bolstering food security such as primary education and literacy among adults, maternal and child health, and agricultural production. Thus, in many instances, national development policies impacting upon food security are primarily region-specific and mainly oriented towards the departments in Nicaragua’s central mountains and the Pacific Coast – areas considered to have a high potential for agricultural expansion.

### **3.5.4. Women**

It is a commonly known FAO estimate that women produce more than 50% of the food grown worldwide. Women shoulder a significant share of the responsibilities for not only agricultural production in rural areas, but also for purchasing food, preparing meals, and ensuring adequate nutritional intake of children. Their contribution to household food security, therefore, is significant. However, women remain economically and socially vulnerable.

In general, women face a range of constraints that contribute to their social and economic vulnerability. Insufficient access to land, poor representation in rural organizations, limited access to credit, and unequal intra-household allocation of resources leave women with limited control over assets and resources.

Mothers play the primary role in determining the nutritional status of their children. There is a clear correlation between the prevalence of chronic childhood malnutrition and low educational levels of mothers. Van Haeften found that, “[C]hildren whose mothers had no education were more than five times more likely to be chronically malnourished than children whose mothers had some higher education.”<sup>35</sup> Investing in women’s education and empowerment can, therefore, strengthen food security in all three key areas: availability, access and utilization.

---

<sup>32</sup> World Bank 2003, 36.

<sup>33</sup> Mark Jamieson, *Poverty among the Indigenous Peoples of Nicaragua* (Inter-American Development Bank Sustainable Development Department: September 1999), 29. <http://www.iadb.org/sds/doc/IND-MJamiesonE.PDF>

<sup>34</sup> World Bank 2003, 5.

<sup>35</sup> Van Haeften 2000.

### 3.5.5. Urban Poverty

Food security estimates are not calculated in a way that permits urban/rural disaggregation, so it is necessary to look at the Living Standards Measurement Survey (LSMS) data to see who is poor and vulnerable to food insecurity. Urban dwellers comprise 76.3% of the population of Nicaragua due to a large percentage of the population located in Managua (39.6%) and in larger towns. A significant percentage, 45%, of poor people live in urban areas. The percentage is less—26%—of those in extreme poverty.<sup>36</sup>

The malnutrition section of the 2001 Demographic and Health Survey found that there is malnutrition in urban as well as rural areas. The survey found that 6.1% of children under five in urban areas are malnourished as compared to 13.2% in rural areas.<sup>37</sup> Certainly the problem of malnutrition is not as severe in urban areas as in rural areas, but it is significant nonetheless.

One trend which has benefited the urban poor is the decline in food prices. But, declining food prices can be seen to be something of a two-edged sword for food security by benefiting consumers of food, including the urban poor, while having a detrimental effect on the incomes of those who produce agricultural products.

## 3.6. Summary Conclusions

***The principal food security problem in Nicaragua is access to food, as a result of widespread poverty.***

According to Van Haeften, “[I]f poverty can be reduced, lack of availability and poor utilization can be addressed as well.”<sup>38</sup> With increased incomes, a growth in demand for food could stimulate both increased local production as well as increased imports to meet food needs.

***Nicaragua’s food insecurity is reinforced by the high degree of income inequality and a skewed distribution of land.*** Many subsistence farmers have plot sizes that are too small for efficient production, while 38% of rural families are landless. These factors combine to create a relatively large proportion of the rural population who are vulnerable and food insecure. Moreover, the income distribution in Nicaragua is highly skewed. The small share of the national income received by the poorest people greatly impedes improving the food security of the most food insecure.

***On a more positive note, Nicaragua has the potential for expanded agricultural production.*** It is important to highlight that Nicaragua has shown a strong increase in the production of basic grains and roots in recent years. Nicaragua has significant arable land per capita, much of which is underutilized, creating the potential for increased agricultural production with appropriate investments in agriculture.

---

<sup>36</sup> Government of Nicaragua Instituto Nacional de Estadísticas y Censos (INEC), *Comparative Profile of Poverty in Nicaragua (Perfil Comparativo de la Pobreza en Nicaragua)*. (Managua: 2003), 10.

<sup>37</sup> Macro International. *Nicaragua Demographic and Health Survey 2001*. (2002), 246.  
<http://www.measuredhs.com/pubs/pdf/FR135/10Chapter10.pdf>

<sup>38</sup> Van Haeften 2002, 3.

## 4. Food Security Policies and Programs in Nicaragua

### 4.1. Key Elements of a Host Government Food Security Strategy

Tackling food insecurity is a complex task requiring interventions in multiple sectors including, agriculture, health, and social safety nets. This section reviews both the explicit and implicit elements of the food security strategy in Nicaragua by reviewing the stated policy and the actual programs and policies being implemented.

Before doing so, it is necessary to first clarify what is meant by a food security strategy. Although there is considerable debate over what specific economic, social, or agricultural policies would be most effective in reducing food insecurity, there is general agreement on several basic principles.

First, generalized economic growth, with the potential to generate employment and stimulate local markets, is an essential although insufficient part of a development strategy to reduce food insecurity. Generalized economic growth is vital because of its employment generation potential, although hard experience has shown that even fairly rapid economic growth does not always have an immediate or significant impact on reducing food insecurity or boosting incomes of the rural poor.

As a result, the second principle is that an effective food security strategy must also strive to increase the productivity of the rural sectors with high incidence of poverty and whose predominant livelihood is subsistence farming. Increasing smallholder production can both increase the availability of food, as well as improve access, by increasing the incomes of subsistence farmers if they can generate surplus production to sell.

Third, there is a need to ensure the provision of basic social services as well as social safety nets to the most vulnerable groups in society. USAID's Famine Prevention Framework for Ethiopia, for example, makes the case for the development of a resilience safety net to reduce the vulnerability of at-risk groups to external shocks and hazards.<sup>39</sup> A resilience safety net entails not only an immediate transfer (e.g., cash, work, food, or otherwise), but should also include an investment in productivity. In this way, safety net programs can be both 'protective' of incomes, health, and assets as well as 'promotional' in expanding development options; a distinction made by Sen and Dreze.<sup>40</sup>

With these principles in mind, we turn to the Nicaraguan government's policy toward food security. The distinction between implicit and explicit strategies is important here. It is necessary to look beyond statements of policy and consider actual programs on the ground. On the one hand, it is possible for a government to be effectively addressing these three elements described above in the absence of a clearly articulated food security strategy. On the other hand, a government could have ambitious written strategies for tackling hunger that are not matched by effective policies and programs on the ground.

---

<sup>39</sup> Tom Marchione and Paul Novick, *Famine Prevention Framework for Ethiopia: Decreasing Vulnerability: Building a Resilience Safety Net* (USAID: 2003).

<sup>40</sup> Amartya Sen and Jean Dreze, *The Amartya Sen and Jean Dreze Omnibus* (Oxford: Oxford University Press, 1999.)

## 4.2. Food Security Policy in Nicaragua

### 4.2.1. *The National Policy on Food Security*

Nicaragua has an explicit food security policy, based on the human right to food as recognized in the constitution. The policy was developed by an inter-ministerial coordinating body, the National Commission on Food Security and Nutrition (CONASAN), which brings together the government ministries that touch on food security issues, including health, nutrition, social safety nets, agricultural production, as well as food aid itself.

CONASAN released the Policy on Food Security<sup>41</sup> on World Food Day in 2000. The policy lays out six specific objectives including: 1) increasing food production, 2) facilitating permanent access by all to culturally acceptable food in sufficient quantity and quality for a nutritionally adequate diet, 3) reducing malnutrition including that of micronutrients, 4) maintaining food quality, 5) improving food consumption behaviors, and 6) coordinating food security efforts of governmental and non-governmental institutions.

The food security policy lays out specific tasks for different entities, although most of the activities fall to the Ministry of Agriculture and Forestry (MAGFOR). Most tasks set out in the policy are fairly sweeping, such as promoting school and family, developing a law for agricultural insurance and expanding irrigation systems. As such, the food security policy is more a series of goal statements, than a strategy designed for immediate implementation.

Still, CONASAN and its food security policy do provide a foundation for responding to the issue of food security. As part of a comprehensive strategy, they could provide some conceptual coherence and coordination in the wide range of programs and activities that do in some way touch on food security issues. However, its ability to do so appears to be limited.

One question raised by the food security policy is how closely aligned it is with the administration's overall economic plan. There are three policy documents that presume to guide economic, social and agricultural policy, and as such, would directly affect food security. These are: 1) the poverty reduction strategy plan (PRSP), developed during the Alemán administration and published in 2001, 2) the National Development Plan, and 3) the Strategy of Rural Productive Development developed by the Ministry of Agriculture and Forestry.

Overall, the team found that practical decisions affecting food security seem principally in the hands of the government departments, influenced by the overall National Development Plan, more so than the explicit national food security strategy. The National Development Plan appears to be much more important as a basis for government decisions affecting food security. Thus, what we are discussing is an implicit food security strategy—one implied by the strategies of the national plan and the actions of the government.

### 4.2.2. *From a Poverty Reduction Strategy Program to a National Development Plan*

Nicaragua developed a poverty reduction strategy (PRSP), in accordance with participation in the HIPC (Heavily Indebted Poor Countries) process. The PRSP document agreed on by the GON and the World Bank and IMF, governs the use of debt forgiveness funds contributing significantly to GON spending.

---

<sup>41</sup> The primary impetus for the development of this policy was the World Food Summit in 1996.

The PRSP document, “Strengthened Growth and Poverty Reduction Strategy”, developed through a consultative process was completed in 2001.<sup>42</sup>

The poverty reduction strategy was supplemented by, (and arguably superseded by), the Proposed National Development Plan developed by the Bolaños administration.<sup>43</sup> The plan was designed to address a number of perceived deficiencies in the PRSP.<sup>44</sup> The plan purports to be the basic framework for Nicaragua’s economic and social policy; helping coordinate and prioritize investments made by the various parts of the Nicaraguan government, and articulating a clear vision for economic development. The proposed plan was submitted to stakeholders for comment and is soon to be issued in a final version.

According to the National Development Plan, the PRSP placed too much emphasis to “assistentialism,” i.e., government spending on social services, principally health and education, and also social safety net expenditures.<sup>45</sup> In response, the National Development Plan lays out a refocusing of government expenditures towards economic growth and away from social sector spending.

The national strategy strives to increase output by making Nicaraguan producers competitive in the world market, increasing high value exports, and enabling domestic producers to be more competitive with imports. The plan outlines a strategy to reduce the size of the government deficit, make the exchange rate more stable, and reduce interest rates and inflation, all of which would facilitate increasing production and exports. The plan focuses on ‘development clusters.’ Clusters are a critical mass of producers, along with necessary services such as export services and processing, that will enable profitable production and generate income in the area where the cluster is located.<sup>46</sup>

Thus, the national plan clearly focuses on economic growth—one of the critical components of a food security strategy. A number of the proposed development clusters, such as coffee, would involve increased production and income for rural areas. However, none of the development clusters involve basic food production. Nor is there much emphasis on integrating the poorest farmers into the cluster plans. UN agencies including FAO, WFP, UNICEF, and the Pan American Health Organization suggested adding beans as a development cluster, which are both produced by small farmers and have good export possibilities.<sup>47</sup>

The National Development Plan has been widely criticized by food aid donors for not including food security as a major objective. The four UN agencies mentioned have called on the Government of Nicaragua to add food security as a cross-cutting issue, with greater attention to food crops, resource poor areas, and nutritional support for poor children, as well as including nutritional indicators in the national plan. It is clear that the food security strategy is not integrated into the national development plan. In

---

<sup>42</sup> Government of Nicaragua, *Nicaragua: A Strengthened Growth and Poverty Reduction Strategy Paper*. (July 2001) <http://www.imf.org/external/np/prsp/2001/nic/01/073101.pdf>

<sup>43</sup> Government of Nicaragua, Proposed National Plan for Nicaragua. 2003b. [http://www.pnd.gob.ni/documentosPDF\\_English.shtm](http://www.pnd.gob.ni/documentosPDF_English.shtm)

<sup>44</sup> World Bank, “Public Sector Technical Assistance” Project Information Document. (March 2004.) [http://www.wds.worldbank.org/servlet/WDSCContentServer/WDSP/IB/2004/03/22/000104615\\_20040322140955/Original/Project0InformInt010Appraisal0Stage.doc](http://www.wds.worldbank.org/servlet/WDSCContentServer/WDSP/IB/2004/03/22/000104615_20040322140955/Original/Project0InformInt010Appraisal0Stage.doc)

<sup>45</sup> Government of Nicaragua 2003b, 162.

<sup>46</sup> Sectors for which clusters are proposed include: tourism, coffee, beef and dairy products, forestry and wood products, fisheries and aquaculture, mining, textiles and garments, and energy.

<sup>47</sup> FAO, *Food and Nutrition Security: A Strategic Element for Nicaraguan Development (La seguridad alimentaria y nutricional: elemento estrategico para el desarrollo de Nicaragua)* (FAO: 2004a.)

fact, the Food Security Policy was designed to fit within the framework of the poverty reduction strategy, now being revised.<sup>48</sup>

### **4.2.3. Strategy of Rural Productive Development**

Finally, there is an agricultural development strategy developed by The Ministry of Agriculture and Forestry (MAGFOR). This strategy essentially follows the lines of the National Development Plan, setting out the same development strategies, including clusters, reduction of government spending and increasing competitiveness. It puts these approaches in the context of rural and agricultural development. It proposes 14 specific high impact programs for the development of the rural sector, including the rural and agricultural cluster programs mentioned above. It proposes seven programs to increase rural productivity including land titling, improving sanitary standards for food production, rationalizing government assistance to the rural sector (now done through a complicated mix of agencies and projects) and improving agriculture technology and infrastructure.

The strategy also proposes a food security program, which includes developing food security projects, disseminating food security information, mounting educational campaigns around food security issues, and performing an inventory of all food security projects. However, the food security section is brief and tentative and fails to offer specific food security project proposals.<sup>49</sup>

## **4.3. Food Security Programs in Nicaragua**

The implicit Nicaraguan food security strategy should be considered as an amalgam of various policies and programs. More significant than the written policies, perhaps, are the actual food security programs being implemented.

Significant expenditures are made by Nicaraguan government agencies on food security related activities. These are highly dependant on donor support, making donors key actors in determining what food security activities will be undertaken.

The outcome of donor funded activity, with the agreement of the responsible government agencies, is much more oriented towards food security programs than the national plan would suggest.<sup>50</sup> In other words, while the explicit food security policy appears to be weak, there is a range of food security related activities currently being implemented.

### **4.3.1. Agricultural Production Programs**

MAGFOR has programs in a variety of agricultural areas, including establishing agricultural policy, playing a key role in pest control and animal health, estimating agricultural production, assuring food security and safety, and providing farmers with technical assistance. At least two are of special interest for

---

<sup>48</sup> The future of the National Development Plan, and the degree to which it will control the allocation of government and donor resources remains to be seen, given policymaking constraints faced by the Bolaños administration (to be discussed in later sections).

<sup>49</sup> Government of Nicaragua Ministry of Agriculture and Forestry, *Strategy of Rural Productive Investment*. (Managua: Ministry of Agriculture, 2003), 94-97.

<sup>50</sup> In the agriculture and forestry sectors, 20 donor agencies were implementing 56 discrete interventions valued at \$298 million in 2003. Inter-American Development Bank, "Summary of Donor Assistance" in the *Preliminary Report for the October 2003 Consultative Group Meeting* (Inter-American Development Bank Regional Operations Department: October 2003.)

food security as they target small scale agricultural producers. Larger scale programs such as these are financed to a large extent with donor assistance. The most significant programs are described below.

**The *Libra por Libra* (Pound for Pound) Program:** This is the principal program reaching small farmers. Pound for Pound is designed to boost productivity in basic grains – particularly for corn and beans, although rice and sorghum are also included. Through funds provided by the World Bank, USAID, and PL480 among others, this \$2.5 million in 2004 program distributes improved seed in exchange for traditional seed in 126 municipalities for landholders with up to 14 acres to increase production. It reached 92,000 farmers in its second year of operation and has resulted in significant increases in the production of corn (an estimated 26% increase) and beans (a 15% increase) since the program's inception. This program will continue in the future but the smallholders will be required to pay an increasing percentage of the value of the seeds.

**Funds to Improve Agricultural Technology:** There are at least two additional programs to improve agricultural technology and income that benefit small farmers. One gives small grants for specific agricultural research and technical assistance activities by both public and private sector entities, and is funded at \$3.3 million in 2004. The second program helps small farmers and medium size producers in thirteen municipalities with a range of activities, including assistance with commercialization and land titling, credit, and assistance to farmers' organizations. It is funded at \$1.2 million in 2004. The principal organization charged with improving agricultural technologies and disseminating the improved technologies to farmers is the Nicaraguan Institute of Agricultural Technology (INTA) which has a limited reach in the countryside.<sup>51</sup>

#### **4.3.2. Social Safety Nets: Income Support and Feeding Programs**

There are a number of significant other programs, principally income support programs, and food security programs that use food aid:

**Social Safety Network (*Red de Proteccion Social*):** This program has benefited 10,000 poor families in rural Nicaragua by providing \$224 per year as an income supplement to purchase food. Other payments were provided to the children of these families who attended primary school. Payments to families are linked to specific requirements, including bringing their children in for healthcare appointments, health and nutrition training, and regular school attendance for children. The program is administered by the Ministry of the Family (MiFamilia) and financed by an Inter-American Development Bank loan, which has now been exhausted. A new loan must be obtained if the program is to continue, otherwise MiFamilia will lose a significant program. MiFamilia has two other social safety net programs, including an early childhood development program and a woman–infant–children feeding program which are smaller in scope but also dependant on donor financing.

**The Glass of Milk Program:** This program is managed by the Ministry of Education benefited 200,000 preschool and school age children in 72 *municipios* (similar to U.S. counties). Nutrition education was also provided and one of the goals of the program was to increase school attendance by five percent by providing a benefit to those who attended school. The program, which purchased Nicaraguan milk, was financed by the Japanese and is reaching the end of its funding.

**Food aid programs:** The U.S. government is by far the largest supplier of food aid to Nicaragua, supplying approximately 99 percent of total food aid.<sup>52</sup> As noted above, this is a large amount of food aid,

---

<sup>51</sup> Government of Nicaragua Cabinet of Production and Competitiveness, *Programas y Proyectos de Financiamiento para el Sector Productivo del Pais 2004* (Managua: 2004), 12-18.

<sup>52</sup> Rod Kite, *Food Aid Policy and Program Assessment* (Nicaragua: USAID, June 10, 2004), 2.

representing 6.8 percent of Nicaraguan cereal production in 2003. Both the U.S. Department of Agriculture and USAID have substantial programs as Table 4.1 indicates. These programs reach an estimated 848,025 Nicaraguans, or 15.8 percent of the population, a very high percentage for food aid programs, especially considering there is a regional focus for these programs.<sup>53</sup>

Table 4.1 U.S. Food Aid Programs 2003\*

USDA Managed	Metric Tons	Value (\$ million)
Farm Bill Sect. 416(b)	2,500	4.5
PL 480 Title I	7,000	4.7
MG-Dole School Feeding	3,700	1.5
Total USDA	9,500	10.7
USAID Managed		
Title II World Food Program	6,040	2.8
Title II Other	42,700	13.3
Total USAID	48,740	16.2
Total Both	58,240	43.0

**Source:** USAID and USDA as reported in Kite, 2004.

\*Final figures for Nicaragua, inclusive of cost, freight and internal transport, storage and handling for WFP.

USAID Title II programming is carried out by the World Food Program (WFP), and four NGOs, Catholic Relief Services, Adventist Development and Relief Agency, Project Concern International, and Save the Children. WFP's principal activity is school feeding programs but it also operates maternal child health and food for work programs. The largest component of Title II programs are the NGO programs which are community-based and designed to promote food security. Mother-child health programs provide food assistance to mothers and children, along with health services such as immunization and micronutrient supplementation and education on improved health practices. Improvements in agricultural practices are an important program component which might include crop diversification, better marketing, improved production techniques, or access to credit. Other program components include water and sanitation improvements and food for work.

#### 4.4. Summary Findings

***Nicaraguan government's explicit national food security policy as articulated by CONASAN documents does not appear to be a driver of actual policies.*** The National Development Plan is the primary shaper of policy discussions and the clearest statement of the government's priorities. The food security strategy developed by CONASAN is not well integrated into the national development plan. In fact, the Food Security Policy was designed to fit within the framework of the poverty reduction strategy, now since rejected. Its relevance in the current policy environment is limited.

***The National Development Plan, if implemented, would prioritize public sector investment in productive sectors, and may leave limited resources available for social safety nets and targeted poverty alleviation efforts.*** In addition, the plan does not emphasize increasing food production for the local market. Thus, the plan deemphasizes two possible aspects of food security. In light of this fact, FAO and three other UN agencies have advocated making food security a cross cutting issue in a revised

<sup>53</sup> Ibid, iii.

plan. The government's food security coordination organization, CONASAN might provide a rallying point for food security efforts, but it has not played a strong role in advocating for food security to date.

***A review of the policies and programs in Nicaragua suggests that the GON does not sufficiently recognize food security as a distinct problem requiring direct policy solutions.*** In practice, food security issues are subsumed, and often obscured, in more general policy discussions surrounding agricultural production and wider economic growth strategies. The National Development Plan points to market competitiveness as the key to poverty alleviation. There seems to be an underlying belief that food security issues will sort themselves out with economic growth. Certainly, generalized economic growth and job creation is a necessary part of a sustainable strategy for food security. However, this strategy is insufficient in itself to address the short and medium term problems affecting the most vulnerable and food insecure groups in society. What is required is a balance between developing a macro-level generalized economic growth strategy, while simultaneously building the capacity, assets and integration of economically marginalized rural communities.

***It can be argued that two of the three essential legs of a food security strategy are only nominally in place and are weakly institutionalized.*** The government's approach to food security, although not clearly articulated, appears to fall into two general categories. First, the government is promoting an agro-export growth model, designed to stimulate economic growth and generate much needed employment opportunities. Second, food security issues are being addressed almost entirely through donor led humanitarian assistance. Increased self-sufficiency in this area is critical, in order to gradually institutionalize some of this assistance as government programs, rather than donor projects. The third and perhaps missing leg of a full strategy is a more robust development agenda for fully integrating the rural poor, landless, and other vulnerable groups into the economy.

## 5. Public Sector Capacity for Implementing Food Security Policy

### 5.1. Capacity for Food Security at the National Level

The previous section considered the policies and programs that are addressing food security in Nicaragua. This section looks more specifically at the capacity of the public sector to design and implement food security policies. Given the multi-sectoral nature of food security, a number of state institutions can be expected to have a significant role to play. Food security is a comprehensive concept that involves a wide range of policy areas, including agricultural development, health education, job creation, and social safety nets among many other issues. As a result, coordination and a shared vision among the many different participating players are critically important for effectiveness.

The primary actors in Nicaragua include the Ministry of the Family (MIFAMILIA), which perhaps has the most developed activities in food security, the Ministry of Education, Culture and Sports (MECD), the Ministry of Health (MINSA), and the Ministry of Agriculture and Forestry (MAGFOR). In addition to those, are the specialized agencies have been created to “coordinate actions” in food security including the CONASAN and its technical secretariat, the Technical Committee on National Healthiness (COTESAN). Complementing these initiatives is the National Information System on Food Security (SISSAN) housed within MAGFOR. Government agencies implementing programs directly related to food security are reviewed briefly below.

#### MIFAMILIA- Ministry of the Family

MiFamilia currently has three projects which deal with food vulnerability problems including *Comedores Infantiles* (children’s feeding centers), *Red de Protección Social* (Social Protection Network), and *Comunidades Vulnerables* (Vulnerable Communities). While the programs implemented appear to deliver a good service, their coverage is limited to only a few departments. Each of these programs is financed either by external donors (e.g., the FAO, WFP, and US PVOs with PL 480 Title II assistance) or international financial institutions, such as the Inter-American Development and World Bank. The Social Protection Network and *Comunidades Vulnerables* projects are financed with soft loans from the IDB, while *Comedores Infantiles* is financed through concessional loans or grants from the World Bank as part of the poverty reduction strategy. From discussions with MiFamilia officials it does not, however, appear that policy-makers are thinking about the sustainability of the MiFamilia array of programs or that it would obtain sufficient budgetary resources even if an articulate strategy were developed.

#### MECD - Ministry of Education, Culture, and Sports

MECD’s primary concern is adequate nutrition of schoolchildren through the *Programa Integral de Nutrición Escolar* (Comprehensive Program of Student Nutrition). Its largest initiative covering some 200,000 children in 10 departments is the Glass of Milk program. The Ministry also carries out another, more modest program to enhance nutrition through the ‘nutritious biscuit’ program benefiting some 30,000 schoolchildren in nine departments. This program is currently funded from private sources including Banco Uno through its *Fundación Vida*. With three million dollars in assistance through the Academy for Educational Development’s cooperative agreement with USAID, MECD’s Model School Program supports food access and utilization objectives by improving the quality of instruction and getting parents involved in literacy training and school oversight.

### **MAGFOR – Ministry of Agriculture and Forestry**

The Ministry's array of food security-related activities are largely supported by the donor community and aim at assisting small farmers to increase basic grain production. Its flagship program for subsistence farmers, The Pound for Pound Program, is outlined in the previous section.

Respondents indicated that MAGFOR faces intense pressure due to its competing focus on commercial agricultural as well as the concerns of Nicaragua's majority of small farmers. In addition, respondents among the U.S. PVO community observe that many of MAGFOR's senior officials come from the agro-export sector and do not fully understand the needs of Nicaragua's small scale producers.<sup>54</sup> There is tension between the overall national goal of promoting agro-exports and support for small scale agricultural production—also within MAGFOR's remit.

### **The Rural Development Institute (RDI)**

RDI is the principal government agency financing investment in agriculture. During 2004 it was projected to spend \$29.3 million on 12 active projects principally on various regional development projects in the North Zone, in the department of Rivas. Elsewhere it also supported projects to develop specific products, such as rice and milk. Project financing is principally through donor resources, with 89 percent of project cost being external financing, and the rest Nicaraguan government funding. Even this percentage may be higher, as at least in some cases the government may not need to provide actual cash, as the donors do, but may count relevant other funding. Part of the donor funding, 58 percent, was donations, with the rest being loans. RDI spends only \$135,000 on current administrative expenditures. The actual—much larger—administrative expenditures to supervise projects are included in the investment totals.

### **SISSAN – National Information System on Food Security**

MAGFOR also administers SISSAN, an FAO-funded food security information program. According to MAGFOR officials interviewed, SISSAN aims at more precise targeting of food production interventions such as *Pound for Pound* and the Emergency Coffee Plan. SISSAN's work, however, has been impaired by a lack of cooperation and collaboration with other ministries. SISSAN staff reported difficulties in getting requested data from MINSA, for example, which indicates a weak culture of information sharing and transparency among and within government, much less with the public at large. A lack of transparency and access to information may be a limiting factor in the development of an effective Nicaragua food security monitoring system. (Alternative views expressed by consultants working with MINSA are included below).

### **MINSA – Ministry of Health<sup>55</sup>**

MINSA spends the equivalent of \$20 dollars per capita on public health maintenance; the lowest in Central America. To be at par with other countries in the region, Nicaragua should be spending two to three times as much. In addition, approximately 60-70% of MINSA's budget goes to salary and

---

<sup>54</sup> Both local and international NGOs interviewed stated that they had relatively good, collaborative relationships with MINSA, while most also acknowledged that MAGFOR at the national level, demonstrates a lack of interest. MAGFOR also clears Title II commodity imports but our interviews with a senior official did not demonstrate much knowledge or interest in what cooperating sponsors were doing. According to the Title II cooperating sponsor representatives interviewed, interest by MIFAMILA and MINSA, largely dependent on Title II food imports for their programs is, by contrast, strong.

<sup>55</sup> Although scheduling problems did not permit a call on MINSA, members of the team did interview Mission and consultant staff working closely with MINSA officials.

maintenance of the country's health care infrastructure. Although free health care is a Constitutional guarantee, the majority of Nicaraguans by far, depend on personal resources to meet health care needs. Food security as a strategic concept has not risen within MINSA's senior policy level and donors do not see its leadership as focusing on a strategy for reaching nutritionally vulnerable groups, other than preserving maternal and child health interventions. MAGFOR's issue regarding MINSA's reluctance to share data relating to health and nutritional status may according to our respondents, be more a problem of SISSAN personnel's abilities to articulate what they need and how the data will be used. If it is ever to be resolved, this impasse requires involvement at a level above both MAGFOR and MINSA to sort out issues between them.

### **CONASAN – National Commission on Food Security and Nutrition, and COTESAN, Technical Committee on National Healthiness**

As mentioned above, CONASAN is an inter-ministerial coordinating body, which is supposed to play a coordinative role within the government on food security. It brings together the ministers of the relevant ministries, and played the leading role in the development of the food security policy in 2000. In practice, however, it rarely meets and apparently does little to carry out its presumed mandate.

COTESAN is a technical committee that supports the work of CONASAN. It includes technical staff of participating Ministries, as well as civil society representation. COTESAN does not appear to be active or particularly important at the present time.

While CONASAN's presumed role is coordination (though it has not had a great deal of success), it might be useful to add awareness-raising to its role, in order to elevate the issue into the national dialogue. The membership of CONASAN certainly provides the status and legitimacy necessary to initiate a national dialogue on the theme. Improved funding of COTESAN could also assist in providing material, documentation, and information necessary for making the case for a national food security policy.

One potential weakness of CONASAN is that it is housed within a ministry, and is thus situated among equals. Attempts to coordinate the actions of other ministries could be difficult. Its effectiveness could potentially be enhanced if it was housed in an entity other than a ministry and at a higher level within the executive branch.

## **5.2. Constraints to Improved Institutional Capacity at the National Level**

A variety of respondents during the team's interviews argued that the public sector in general is weak, with very low institutional capacity to perform the functions assigned. The problem of institutional capacity also spills over into food security – the institutions that play some sort of role are generally considered weak with little capacity to adequately discharge their regular activities, let alone take on new ones. The constraints to improved capacity for food security are numerous.

First, and as mentioned above, though there are several actors involved in food security there is no apparent lead agency for food security. Each institution appears to carry out projects and programs irrespective of what other agencies might be trying to implement. A bill has been proposed in the National Assembly that would define leadership more clearly in the sector, but the bill is stalled. Although the implementation of CONASAN might have at least begun to coordinate some of the actions in or among sector institutions, CONASAN and COTESAN appear to be barely functioning and without any apparent effectiveness.

Second, the management of food security remains highly fragmented, and there seems to be little strategic cohesion as exemplified by the lack of communication and trust between MAGFOR and MINSA to the various activities being implemented. Indeed, it can be argued that most activities are opportunistic – if there is money available for a particular program (frequently at the initiative of donors or IFIs) then it will be implemented. Much, if not most, of the activity in food security is projectized which makes it very difficult to either coordinate or make more coherent with other activities. One possible consequence of lack of coordination is that certain needy areas might receive attention from multiple agencies while others just as needy, receive none. Lack of coordination also brings widely varying approaches to the problem of food security. MiFamilia takes a family welfare approach through its Social Protection Network, while MAGFOR takes a production approach through the Pound for Pound program.<sup>56</sup> There is no shared vision of how to achieve food security.

Third, the high percentage of food security activity dependent on external assistance does not assist in building stronger institutional capacity. Part of the problem is that the narrow capital budgets of most Ministries do not allow food security project staff to be paid out of regular Ministry funds – rather, they are often paid exclusively out of external funds.<sup>57</sup> Moreover, implementing staff are often hired as consultants, paid by the donor often at rates higher than those of regular staff. Since the Ministry rarely seems capable of footing the bill for continuing donor initiated projects, when funds expire the consultant(s) generally leave(s), taking the implementation know-how with them.

Fourth, Nicaragua's poor fiscal capacity is a major constraint to improved institutional capacity. Part of the reason for poor fiscal capacity is the generous exemptions granted to both legitimate enterprises as well as cronies of the central government. At the same time, tax evasion remains widespread even though the Bolaños government has tried with some success to improve collections. Previously, one of the major sources of fiscal income came from coffee, but with the dramatic drop in prices of the last few years, tax revenues have also declined. This source has yet to be reinvigorated or replaced. All these factors have produced small budgets with few options for major, rapid expansion on the income side.

The role and budget of the national government can be seen in light of an incomplete transition from the economic model of state control of the economy promoted by the Sandinistas which demanded large scale resources for the public sector and public investment. The prevailing neo-liberal model which promotes deregulation and privatization of public services requires far fewer public resources on the assumption that local government and the private sector play a much larger role. Since that has not happened, the state is still saddled with a large role but with minimal resources.

Fifth, Nicaragua's chronically small national budgets have produced minimal operating resources for the various ministries and other government agencies. Ministry budgets generally cover salaries for core (budgeted) staff and most recurrent expenditures, but leave little for capital investment and often little for maintenance or depreciation. Operating expenses tend to be very reduced, particularly for ministry representatives or offices in the interior. To carry out projects or even to fulfill part of their respective mandates, the ministries often must resort to external sources of funding. Indeed, most—if not all—food security activities are externally funded. Because external funding for food security is usually

---

<sup>56</sup> In its poverty assessment, the World Bank lays a proportion of the blame at the feet of donors. The report observes: "Nicaragua's high dependence on external aid and serious coordination deficiencies among donors exacerbates policy consistency problems and overburdens scarce managerial capacities. Most donors tend to select activities to be financed without due attention to the government's leadership and ownership." World Bank 2003, 42.

<sup>57</sup> Perhaps the most dramatic of example of lack of operating budget is in the *Instituto de Desarrollo Agropecuario*. Its operating budget is approximately 2% of the National budget that is mostly comprised of external funds for specific projects. Almost all IDR staff are consultants assigned to and paid by the specific projects.

projectized, it is often difficult to assure strategic coherence with other ministry programs or to institutionalize the activity.

### 5.3. National Government Capacity to Deliver Services at the Local Level

The national government continues to retain the largest responsibility in the delivery of goods and services throughout Nicaragua's 15 departments and as a result, control of resources also remains highly centralized.<sup>58</sup> Among the national government's responsibilities include education, health, agriculture production, public works (except exclusively municipal infrastructure), security, municipal development, and financing, among others. The problem of capacity at the department level is thus absolutely crucial for service delivery and policy/program implementation of food security and other programs. It is the department level officials and delegations that do the real service delivery and/or ground level implementation of policies and programs. It can be safely said that if capacity is lacking in the field, a ministry's policies or programs will encounter serious problems in implementation.

The team was able to visit with some ministry representatives based in rural areas. Our findings are admittedly impressionistic, but confirmed in interviews with donors and local expert observers. For example, a visit to the Nicaraguan Institute of Municipal Development (INIFOM) in Chinandega provided some insight into capacity of national institutions at the departmental level. INIFOM's main activity is working with the municipalities to develop plans for expenditure of transfers to be received from the central government through the Emergency Social Investment Fund (FISE). Assistance is provided for the development of multi-year plans that lay out overall objectives, investment priorities by year, and an annual investment package. INIFOM also provides technical assistance for citizen participation – the Participation Law requires that citizens be consulted regarding the plan.

INIFOM's effectiveness at the departmental level was severely limited by a lack of financial and physical resources. The telephone was disconnected because of non-payment, and electricity was recently cut off as well. The job requires significant travel around the department, and the 13 technical staff must share one motorcycle.<sup>59</sup>

If there are serious gaps in capacity, programs will not be fully implemented or on schedule, if at all. For example, to receive transfers from FISE, the municipal government must present a plan, developed in a certain manner using an officially approved framework, and with input from the citizenry. INIFOM is responsible for providing the technical assistance to develop these plans in the designated manner – so if it does not have the capacity to assist the municipality, the municipality is less likely to submit its request properly and risks being denied the transfer.

The significance of these limitations for food security and program implementation is clear. For example, MAGFOR is charged with collecting data and statistics for crop forecasting – if its technical staff cannot get into the field because they do not have transportation, and cannot communicate with the central office

---

<sup>58</sup> Nicaragua also has two autonomous regions.

<sup>59</sup> In the interior, the lack of operating expenses is dramatic. For instance, the head of the Matagalpa Department's *Ministerio de Gobernación* has no vehicle but is allotted 15 gallons of diesel per month, and occupies a loaned office in the police building. His operational budget is approximately \$12.50 for a department with more than 500,000 inhabitants. Although municipal and departmental governments and local officials of the national government are seen as playing a key role in promoting food availability including the SISSAN food security information system, the MAGFOR office in Chinandega for example, is allotted two motorcycles for 10 staff, but only 5 gallons of fuel per month for each.

because the telephone has been cut, it is likely the data will not be forthcoming and the accuracy of the forecast will be diminished.

Financial resource gaps are not the only constraints. Overall, the presence of national government at the department level appears to have been reduced in recent years, but has not been replaced in functional terms. Formerly, there existed *Secretarías de Gobernación*, who were representatives of the *Ministerio de Gobernación* (Ministry of Governance). The *Secretaria* was charged with coordinating delegations of other Ministries at the department level, including MAGFOR, INIFOM, and *Gobernación*, among others. The *Secretaria* no longer exists and has been replaced by a ‘delegate’. Overall, while there is a presence of public sector institutions at the departmental level, in most areas they operate at a limited level.

#### 5.4. Capacities and Constraints of Local Government in Nicaragua

This report has focused thus far on the role of national level policies and institutions. It is important to consider, as well, the actual and potential roles of local government in promoting food security. Local governments have the potential to play important roles in local economic development, as well as partnering in the provision of basic social services. To what extent do Nicaragua’s municipalities have the capacity to promote local development, and contribute to the alleviation of food insecurity?

Municipal government can contribute to increasing food security in a myriad of ways. First, municipal government can stimulate livelihoods by developing community assets, improving local infrastructure, and stimulating local economic development. Local governments, at least in theory, are closer to the community and are better positioned to identify key needs and community priorities. Given the shortage of basic infrastructure in the smaller, rural municipalities, even very modest increases in infrastructure development could have a positive impact on local economic development. Second, local government is expected to provide basic social services to communities, although in Nicaragua, financial constraints limit its ability to fulfill this role. Third, municipalities can work with communities to develop much needed natural resource management plans. Fourth, municipalities are a key component of national emergency mitigation and response programs. Along a similar vein, municipalities are expected to be a key data collection source for SISSAN, the food security data unit. The municipalities can provide a more precise level of detail, and can help identify and target crises as they emerge.

In practice, however, what exists in Nicaragua are municipal governments with two or three distinct levels of capacity, with the larger towns and cities having local governments with demonstrated capacity to partner with donors, raise at least some revenues, and provide services. On the other side of the spectrum are the municipalities in many rural areas, extremely limited in their financial resources, and unable to do much for the community.

There are a variety of constraints that would have to be overcome for local governments to be able to adequately assume their important responsibilities in local development. First, while municipal governments in all Central American countries including Nicaragua now have authority to administer funds, hire staff, and enter into contracts, they are stymied by inadequate specification of municipal government responsibilities relative to those of the national government. Nicaragua’s 1995 Constitution has not clearly defined municipal governments’ autonomy and functions. INIFOM has identified 43 responsibility areas, 18 of which appear to be shared with central government agencies.<sup>60</sup> Mayors are

---

<sup>60</sup> International City/County Management Association (ICMA), *Trends in Decentralization, Municipal Strengthening, and Citizen Participation in Central America, 1995-2003* (Washington DC: 2004), 14.

therefore continually engaged with Managua to negotiate where the authority of the center ends and where that of the municipality begins.

Second, Nicaragua's municipalities still lack clear authority to either establish taxes or set the rates for those taxes and fees they are authorized by the central government to collect. Elected officials cannot ensure that fee collections for specific services will cover costs or establish procedures to cover costs in one area with revenue collected from another. The situation thus makes it difficult for mayors and their councils to make decisions on the priorities and scope of services the municipality can provide based on how citizens would like to see their tax money expended. This basic element of government empowerment means that local democracy is inhibited when its citizens cannot relate the costs and benefits of taxation and support for democratic governance can decline.

Municipalities likewise compete intensely for central government resources and several respondents suggested that allocations from the national budget are influenced by their affiliation with the political powers in Managua. Municipal leaders are, however, supporting the *Asociacion de Municipios de Nicaragua* (AMUNIC), an association of municipalities working to bring more transparency to the process of municipal budget allocations.<sup>61</sup>

Third, levels of citizen engagement remain low, despite the recent passage of a law mandating local participation in decision-making. Opinion surveys conducted throughout Central America, including Nicaragua, show that while citizens generally appreciate elected officials' efforts to accomplish what they can, knowing their financial limitations, they are more often than not reluctant to get very involved in local governance either by voting or participatory information-sharing and decision-making.<sup>62</sup>

On the positive side, there are tentative indications that AMUNIC with allies in the academic, NGO and donor communities are making progress in seeing authority if not revenue generation decentralized.<sup>63</sup> The Bolaños Administration's National Development Plan for 2003 broadens decentralization policy guidance. A recent law on municipal transfers will increase the proportion of the national budget that will be allocated to local government, enhancing their roles in local development.

There are encouraging signs that the Bolaños Administration is intent on pursuing a strategy of gradual re-delegation of rural development decision-making to the municipal level—at least in the regions east of the Cordilleras.<sup>64</sup> The recent law on municipal transfers will make more resources available to local government. There are equally encouraging indications that the municipalities receiving institutional strengthening are preparing themselves to assume more extensive roles in governance and development. The dynamics of local governments' role in broad-based economic growth in Nicaragua and in furtherance of food security in particular would undoubtedly be accelerated if along with re-delegated responsibilities also came the widened power to raise revenues through self-set taxation and fees.

---

<sup>61</sup> Data for 2000-2002 indicated that only 1.3% of total national revenue (11% of which was made up of municipal revenues) had been transferred back to municipalities. Since 2003 however, the central government has been legally required to transfer at least four percent of the national revenue back to municipalities. Ibid, 22.

<sup>62</sup> Ibid, 13.

<sup>63</sup> ARD's democracy and governance assessment noted in June 2003 that AMUNIC has to its credit, successfully managed to remain non-partisan despite pressures by both the PLC and Sandanistas. Op. cit. page 16.

<sup>64</sup> A pilot project to decentralize infrastructure project management in 55 municipalities produced positive effects. Progress towards decentralization has also made inroads as exemplified by MECD's model schools program, MINSA's decentralization of local health care center's administration, and in the Ministry of Transportation and Infrastructure's 1995 re-delegation of public transportation within 12 municipalities to the local level. In the latter case, municipalities were permitted to collect licensing and vehicle inspection fees. In one case, the proceeds have been sufficient to finance repair of municipal road maintenance equipment.

The picture in the Atlantic and Caribbean coastal regions is by comparison less encouraging. The Atlantic regions have been historically excluded from the forms of political representation enjoyed by citizens of Nicaragua's central and western coastal departments. Only a thin veneer of any form of government exists primarily along the coasts. Thus, meaningful participation in governance at local levels is largely limited. These conditions not only reinforce *Coastenos'* (those whose origin is the coastal regions) sense of political alienation but also compound factors food insecurity such as poverty and inability to secure rights to land for cultivation in what is a significant proportion of the country.

## 5.5. Summary Conclusions

***Responsibilities for food security are diffused and poorly coordinated among a wide range of public sector entities.*** CONASAN is the inter-ministerial organization created to play a coordinating role, but it has not played this role effectively. Much, if not most of the activity in food security is 'projectized' which makes it very difficult to either coordinate or make more coherent with other activities. The absence of clear coordination and a strategic vision limits the potential for synergies between programs in different sectors, including health, agriculture, and social programs. Public sector institutions working directly on food security related programs have a departmental presence, but are hampered by weak financial and institutional capacity.

***Food security programs are weakly institutionalized because they remain 'projectized'.*** Most food security related programs in Nicaragua are donor funded and time bound. This study has argued that the project nature of these initiatives means that they are not fully integrated and institutionalized with the public sector agencies highlighted here. Both funding and related staffing are dependent on the continued involvement of international donors. Food security as a strategic concept has not risen as a central mission within the leading public sector entities implementing many of these programs.

***Local government's role in social and economic development is severely limited by weak financial and organizational capacity.*** Local government can play a critical role in developing basic infrastructure that can support and enhance the livelihoods of citizens. Larger towns have demonstrated the ability to partner with donors, collaborate with central government and generate some resources, to deliver services, and build infrastructure. Still, these are in the minority. Limited financial resources have left the majority of municipalities without sufficient funds to play a meaningful role in local development. A lack of clear taxing authority and clear delineation of local government authority are constraints to strengthening the role of local government.

***The potential to expand the role of local government in local economic development exists.*** The Bolaños Administration's National Development Plan for 2003 broadens decentralization policy guidance. Recent legislation has mandated that an increased proportion of the national budget be transferred to municipalities. Close monitoring of the implementation of this legislation, as well as increased technical assistance to strengthen the organizational capacity of municipalities, will be needed to enable local governments to a more active role in local development.

## 6. Constituencies: Building Support for a Food Security Strategy

### 6.1. Getting Food Security on the Political Agenda

There is no question that food security is of some concern to national and international policy actors, but its relative priority among the myriad other problems currently on the government's plate is quite another issue. During the team's interviews in Nicaragua, many interviewees were asked to characterize the importance or priority of food security as a national issue. Few of our respondents considered food security a high priority. Many other issues come before the issue of food security including problems of growing delinquency and physical security, jobs, economic growth, education, and access to health care.

The lack of attention given to food security is rather surprising, given the fact that Nicaragua is highly dependent on food aid. Despite this high level of dependency, attaining food security is not high on the political agenda.

A major problem contributing to the absence of policy interest or perception that food security is indeed a problem is the lack of an organized, politically mobilized constituency on the issue. *Who* cares about the problem of food security in Nicaragua is a serious question. Are there stakeholders who are willing to address the issue, and who actually have the resources to do something about it? And, are those stakeholders willing to utilize scarce political capital to initiate reforms in food security policy?

Genuine government commitment for tackling the complex problem of food security is unlikely to develop in the absence of a mobilized constituency pushing the issue higher on the public and political agenda. The potential constituency for food security is immense – Nicaragua's rural and growing numbers of urban poor would benefit directly from successful reform in this area. An important question from a governance perspective is how those interests are represented in the political process, and whether political marginalization of these groups is a factor that contributes to their food insecure condition.

### 6.2. The Political/Policy-Making Context for Food Security<sup>65</sup>

Policy decision-making does not happen in a political vacuum. There are elements in the macro political environment that may either enhance or diminish the likelihood that a particular policy will be adopted and implemented. Political relationships in the macro-environment play a large role in determining which policies have greatest importance and priority, whether or not the government has the capacity to adopt a new policy, and whether it will be able to actually implement that policy. The crucial element in determining capacity to both adopt and implement policy is the level of support from key sectors that the government has or can mobilize in a particular policy direction. Once a government is elected and in place, development and implementation of its policy agenda will depend on the support of three key sectors – political parties, pressure groups, and external sectors, most prominently international organizations (including financial institutions such as the World Bank), and bilateral agencies (e.g., USAID).

---

<sup>65</sup> This section only presents a brief summary of the current context. For a fuller description and analysis, including a political map of the current context, please see Annex 1.

Elements of Nicaragua's highly conflictive and often polarized political history and serious issues arising out of a fundamental lack of consensus, a rule of law that is trumped by clientelism and patrimonialism, and very limited political competition have all contributed to a policy and governance environment that would be extremely difficult to manage, even under the best of circumstances. With only the lukewarm support of past President Arnoldo Alemán and a broad-based coalition led by the Partido Liberal Constitucional (PLC) the current President, Enrique Bolaños Geyer, won the 2002 presidential election by a comfortable margin over his FSLN opponent, former President Daniel Ortega. After the election, Bolaños briefly increased his popular support through a decision to prosecute former President Alemán and other members of his government on charges of corruption. The trial and conviction of Alemán proved very costly to the Bolaños administration in terms of political support. Bolaños' efforts mostly failed to win any friends among the FSLN or its supporters. Alemán maintains the loyalty of most of his Liberal Party base, including the PLC representatives in the National Assembly — and, it has been argued, continues to rule the party from prison. Since Alemán's imprisonment, Bolaños' popularity has eroded and he is now saddled with low and declining popularity and without the necessary and sufficiently solid base of support upon which to move ahead with any sort of serious political agenda.

With the exception of international actors, the President appears to be without a real base of support. Popular, political party, and pressure group support are all nearly absent — and show little prospect of returning. Groups formerly supportive and which were key parts of the President's electoral coalition are now situated on the line between conditional support and opposition. To retain conditional support requires that the group in question have its demands satisfied — but by all appearances the government seems unable to do so. Consequently, groups either saddling the line or bordering opposition likely will continue to drift into direct opposition. The lack of a solid base of support has a stultifying affect on policy decision-making. The Plan Nacional de Desarrollo is considered to be the main policy agenda document of the Bolaños administration — however it has yet to be implemented and it is certainly unclear where the large amount of funds necessary to finance the Plan will actually come from. At the moment the question of government capacity to implement a National Plan is overshadowed by the difficulty in getting the 2004 budget approved by the National Assembly.<sup>66</sup> Lack of approval at this late date simply indicates Bolaños' lack of authority and influence over the National Assembly — if he had sufficient support or if he were capable of mounting a coalition, the budget would certainly be in place by now. Unfortunately, given his own problems with the PLC because of the prosecution of Alemán, and because of the polarization of the National Assembly between the Alemán's PLC and Ortega's FSLN, the development of a sufficiently strong coalition to significantly advance the government's policy agenda is not at all likely.

It is within this context that any policy changes in food security will have to be made.

### **6.3. Assessing Support for a Food Security Policy**

In Nicaraguan society, where is there actual or potential support for food security? This section discusses the relative level of support (and opposition) from different stakeholders for a more robust food security strategy. This section draws on a mapping process which reviews the key stakeholders and assesses their potential interest and commitment to supporting such action. An overview of the Map (see Graph 1) reveals a fairly substantial amount of interest in the issue and support for a national food security policy.<sup>67</sup> In the stakeholder analysis map below (Micro-Political Map 1), stakeholders believed to be actually or

---

<sup>66</sup> By the time the assessment team had finished its fieldwork at the end of May, the 2004 budget had yet to be approved by National Assembly.

<sup>67</sup> The map was initially developed using a focus group process with some members of the USAID Mission in Nicaragua. Assessment team members also participated in this process.

potentially strongly supportive are positioned in the center of the map, while those likely to offer conditional support are found both to the left and right. On the far left and right sides are those groups likely to be unsupportive of such policies.

As the map illustrates, apart from a few international actors, support for a robust food security policy is largely conditional and relatively un-committed. There are several actors that are highly supportive of improved policy but a lack of wherewithal or resources does not allow them to influence or drive policy change. Overall, however, the Micro-Political Map<sup>68</sup> reflects a generalized state of low priority, but not necessarily disinterest, for improved food security policy on the part of most actors.

**NICARAGUA:**  
**MICRO POLITICAL MAP 1      FOOD SECURITY POLICY**

OPPOSITION	CONDITIONAL SUPPORT	CORE SUPPORT	CONDITIONAL SUPPORT	OPPOSITION
FSLN		<b>POLITICAL PARTIES</b>		PLC
Congress - FSLN COURTS	CONASAN/ COTESAN Sub-commission SAN - Congress INRA MINED	SISSAN <b>GOVERNMENT SECTORS</b>	Pres. Bolanos MIFAMILIA IDR COMPEL MAGFOR SECEP	Congress - PLC
		EU UNICEF FAO WFP USAID <b>EXTERNAL ACTORS</b>	NGOs/ PVOs	
	UNAG <b>Local Government</b>	CHURCH? <b>PRESSURE GROUPS/NGOS</b>	NGOs/ PVOs	Major business Groups COSEP

### 6.3.1. Political party support

As the map indicates, at the level of political parties, the problem of polarization and lack of consensus is notable. For example, one would expect in this polarized environment that if there were initiatives on the part of the President to address food security these would be likely to meet with opposition – not because

<sup>68</sup> For a full explanation of political mapping see Derick W. Brinkerhoff and Benjamin L. Crosby, *Managing Policy Reform: Concepts and Tools for Decision-Makers in Developing and Transitioning Countries*. (Hartford, Connecticut: Kumarian Press, 2002.) Chapter 8.

they actually oppose such initiatives, but because the opposition to virtually any initiative on the part of the President will be opposed by both the FSLN and the PLC. But just as important, it does not appear the either party views food security with much priority.

Although Congressional delegations of both the PLC and the FSLN are not necessarily directly opposed to improved food security policy, their generalized and polarized opposition to the government creates a situation in which policy issues related to national food security are not likely to prosper – much in the same way as most other policies proposed by the President.

### **6.3.2. Government sector support**

At the level of government sectors, the picture outlined on the map is complex. The President has priorities other than a national food security policy and is therefore positioned under conditional support on the map. The President's prime constituency is large scale, export-oriented, cash crop farmers —with the consequence that little direct policy attention is given to food security. The Presidency's primary mechanism for strategy and policy development, the Secretariat for Coordination and Strategic Planning, did not include food security in the first version of the National Development Plan, which aroused criticism from several international donors and NGOs. The focus of the Plan is based on the implicit argument that food security is primarily an economic growth and employment problem. It suggests that once steady rates in economic growth are achieved, unemployment will significantly decrease, and the problem of food security will take care of itself.

In addition, most government actors are not pushing to make a food security policy a national priority because most of the institutions involved have distinct agendas and face multiple and difficult obstacles merely attending to their own priorities. MiFamilia, for instance, does have the *Comedores Infantiles* program which feeds 40,000 children, but its main emphasis and interests are in the multiple other elements of family welfare rather than food security. Likewise, the Ministry of Education has some child nutrition programs for primary schools, but like MiFamilia, education is really the main activity of the Ministry. MAGFOR has the Pound for Pound program. But again, Pound for Pound is just one of several projects implemented by MAGFOR and may not be among the Ministry's strategic objectives. Another organization in the agriculture sector, the Institute of Agricultural Development, does not have any projects directly in the area of food security, but according to its director, many of its activities will collaterally enhance food security.

The remaining organizations noted in the core and conditional support sectors are all organizations that work directly with food security. CONASAN is composed of several organizations including MiFamilia, Ministry of Health, the Ministry of Education, and MAGFOR with representation of the Ministers or head of each. However, CONASAN appears to function at a very low and nearly inconspicuous level – indeed some ministry staff we spoke to do not appear to be aware of the organization. COTESAN is the technical secretariat, but again it appears to function only sporadically. SISSAN is designed to gather information and forecast food insecurity problems or areas. While each of these organizations/mechanisms could potentially serve a useful purpose, at this point they are insufficiently active and/or without the resources to make much of a difference in policy regarding food security.

Municipalities are placed in the conditional support area of the map but largely because they (particularly the smaller municipalities which are the vast majority) have few, if any resources that can be brought to bear on the issue.

### **6.3.3. External actor support**

Clearly, the most committed and influential stakeholders on the issue of food security are international actors – the external sectors – including the World Food Program, the Food and Agricultural Organization of the United Nations, the Humanitarian Assistance program of USAID in Washington, and USAID. Under core support, these are all international donors that have food aid or projects and/or programs for food security in their assistance portfolios. Among the donors, USAID accounts for the largest portion of direct food aid to Nicaragua. Others, including the EU, no longer provide direct food aid but are supporting new initiatives in the area of food security. The FAO has acted as the leading advocate in putting food security into the National Development Plan, and at least from what the team could discern has begun to have some impact. While the actors in the core support area are clearly trying to develop new options for food security, what is not clear is the impact on the policy process.

### **6.3.4. Civil society support: the role of producers and agricultural groups**

Among the key stakeholders in agricultural development discussions are the mass organizations of small scale agriculturalists: UNAG (Union of Agriculturalist and Cattle Ranchers) and UPANIC (Agricultural Union of Nicaragua). UNAG in particular, can be considered to have some ‘voice’ in the public policy arena. With approximately 75,000 members, UNAG is a well organized, grassroots association with branches in all departments and in 107 municipalities. UNAG was founded during the Sandinista era and was allied with the regime, but over time, UNAG has refocused its efforts toward provision of technical services for small and medium scale farmers, as well as lobbying on issues that affect the agricultural sector. UNAG receives international support to implement technical assistance programs for producers and ranchers.

UNAG sees benefits of an improved food security policy but mainly because such policy would presumably directly benefit its small farmer affiliates and bring more stability to local grain prices. The capacity of UNAG to mobilize small and medium scale farmers makes it an organization to be taken seriously. UNAG’s importance is such that even President Bolaños has become more attentive, and he was present at UNAG’s national convention. In the past, UNAG has occasionally used mass marches to protest agricultural policy. In 2000, for example, UNAG organized a march in Managua to support a proposed bill that would create a national development fund, reform agricultural credit (including restructuring of past debts), and create a tripartite council for discussion of agricultural and other issues.<sup>69</sup>

The president of UNAG told a team member that while most of its members are Sandinista supporters, the organization itself has no political affiliation. This is a sign, also, that perhaps the extreme political polarization that has existed is starting to lessen within civil society, if only marginally. A stronger and more effective role for civil society may result if overt partisanship is rejected in favor of an interest group approach to representation and advocacy.

Another group worth mentioning is the informal peasant group, known as the *plantones* which has been protesting their lack of access to land. Although the government has promised to provide lands to some of these groups, it has largely failed to make good on those promises – with the consequence that *campesino* groups have resorted to more dramatic protests. The *plantones* have alternatively resorted to the use of road blockages as well as long marches with upwards of 3,000 people including women and children, along the Inter-American Highway to create more publicity for their plight. Toward the end of the team’s fieldwork in Nicaragua, it appeared that the government was going to distribute some lands near Matagalpa – though a start, the government has a long way to go to satisfy demands.

---

<sup>69</sup> *Productores Anuncian Otra Marcha*, La Prensa: September 2, 2000 and *Preparen Propuestas para Resolver Deudas Agrícolas*, La Prensa: September 22, 2000.

Although these demands do not include food security specifically, certainly issues of land access and security are closely interlinked with questions of livelihoods and smallholder production. This recent and on-going public protest has captured media attention in Nicaragua and illustrates the politically sensitive and unresolved issues relating to land access and security, a topic addressed in more detail in later sections.

The Micro-Political Map 1 shows large farm groups and business elites in COSEP in the opposition camp. The question is largely one of disagreement over the appropriate strategy to improve food security. It is not that they perceive food security to be an unworthy goal, rather that they see the priority problem as one of employment and economic growth, which can reduce vulnerability to food security.

It should be noted that many of these civil society organizations come together in the National Council for Social and Economic Planning (CONPES) which is a mechanism for participation and input into the policymaking process originally created for the PRSP process. CONPES consists of some 38 civil society organizations and serves as a consultative mechanism for the government's programs and plans, particularly in the area of poverty reduction. It has the potential to provide a forum for these key food security issues to be raised and discussed.

### **6.3.5. *The role of NGOs in food security advocacy***

#### **History and Characteristics of the NGO Sector**

The role of NGOs in advancing food security merits closer examination. To what extent do development and advocacy oriented organizations have the potential for advancing the issue of food security, either by pressuring the government for clear action on this issue or by direct service delivery?

Before turning specifically to the question of food security, it is important to consider how the political context shapes the actions and role of civil society in Nicaragua. Two factors are worth highlighting.

First, the relationship between the NGO sector and government is one of mutual wariness, although there has been a gradual improvement over time. In the nineties, the Chamorro government tended to view the NGO sector with a certain amount of suspicion. Following a pattern seen in other parts of Latin America, after the FSLN left power, many outgoing public officials had migrated to the NGO sector, creating new or joining existing NGOs. This sense that the NGO sector on balance was Sandinista dominated — a characterization which even at the time was only partly true — created an uneasy relationship between the government and NGO sector. Over time, however, more political space for NGOs has opened up. According to some respondents, Alemán was more tolerant of NGOs, and Bolaños even more so.

Second, however, the profound political polarization that characterizes Nicaraguan politics is mirrored in civil society. While some NGOs established in the early nineties were, if not formally affiliated with the Sandinistas, at least sympathetic, others could be considered anti-Sandinista. In some cases, parallel organizations were set up on the left and right of the political spectrum. To illustrate, at least two umbrella organizations sought to represent civil society and NGOs: the Coordinadora Civil established after Hurricane Mitch, which was originally seen as pro-Sandinista and one which was composed of non-Sandinista organizations.<sup>70 and 71</sup>

---

<sup>70</sup> Among many of the membership-based civil society organizations, such as farmer's associations, the political polarization is even more pronounced. Likewise, labor and farmers organizations are equally divided with the Central Sandinista de Trabajadores on the left and the anti-Sandinista *Confederación de Trabajadores* (CPT) on the

On the positive side, most observers of the sector, and NGO leaders themselves, are in agreement that the partisanship that may have characterized the NGO sector in the past is waning, as groups are becoming more professional and non-partisan. NGOs are moving from partisanship to issues based advocacy, which is a positive sign in a polarized society. For example, in the case of the two organizations mentioned above, the *Coordinadora Civil* has emerged as the strongest umbrella organization in Nicaragua, and now brings together organizations on all sides of the political spectrum, as well as the majority of NGOs that are largely non-political.

Despite this, many NGOs and other civil society organizations, continued to be perceived as partisan, even in cases where this is not merited.<sup>72</sup> To the extent that this limits their ability to gain the confidence of the government, or attain a high level of credibility in the public eye, this can inherently limit what they are able to achieve.

In sum, the political polarization as expressed in civil society, although lessening with time, continues to have an impact on the sector. Most significantly, it may limit the ability of broad based coalitions to emerge on development issues, by inhibiting consensus on issues which may have a political element to them. Moreover, it contributes to the public perception of civil society organizations as vehicles for partisan expression. This lowers their overall credibility as advocates for development.

### **NGOs and Food Security Advocacy**

There is some support and interest in food security issues on the part of the NGO sector, particularly the partner organizations directly working on such issues as implementers of PL-480. These organizations not only provide direct food assistance but also provide technical assistance for development projects to improve farming and cultivation practices, facilitate credit, and the like. The NGOs have a direct impact and even some degree of “political” influence but only in the local municipalities and departments in which they work. Moreover, their role is primarily as service delivery agents rather than advocates at the national level. They are positioned under conditional support on the micro map because of the limitations they face in engaging in policy advocacy, not because they are not strongly supportive of more vigorous food security strategies.

The domestic NGO sector is relatively quiet on the food security issue, preferring to work more intensively on service delivery. This sector could be assumed to be strongly supportive of action on food security, but in practice, it has not been particularly vocal on this issue. Relative silence on food security as a singular and specific issue, however, should not be interpreted to mean that NGOs have no engagement with this issue. Many civil society organizations address food security indirectly, through programs on small scale credit, agricultural production, and land issues. The agricultural association UNAG provides one example. UNAG advocates actively for agricultural policies to benefit small scale farmers, although it does not focus much attention on food security specifically.

Even with this broader view of food security advocacy, NGO activity is rather limited. One of the team’s more surprising findings is that given the significance of Nicaragua’s land security and titling problems, relatively few NGOs address this issue directly. One can conclude from the relative absence of vigorous debate on this issue that land continues to be a politically sensitive and possibly intractable problem.

---

right. The *Union Nacional de Agricultores y Ganaderos* (UNAG) can be found on the left and the anti-Sandinista *Union de Productores Agrícola de Nicaragua* (UPANIC) on the right. ARD 2003.

<sup>71</sup> It should be noted that FSLN associated groups remain very closely identified with the Sandinista party, whereas among non-Sandinista groups, political affiliation is less clear and in many cases non-existent. At the same time, while the FSLN can relatively easily mobilize their affiliated groups, that is not the case among the non- or anti-Sandinista political parties.

<sup>72</sup> ARD 2003.

In terms of direct advocacy, however, a coalition of civil society organizations was recently formed to address the food security issues. The group, called GISSAN (roughly translated as Interest Group in Sovereignty and Food Security and Nutrition), includes approximately 70 civil society organizations, ranging from cooperatives to NGOs and universities. In May 2004, GISSAN released a position document outlining its views on food security issues.<sup>73</sup> One of their primary demands is for the national assembly to pass the Bill on Food Security and Nutrition introduced in 2001, now languishing in committee.<sup>74</sup> Among other things, the bill clarifies institutional responsibilities of different government entities and stipulates the responsibilities of the state. Several GISSAN members interviewed recognized that simply passing legislation is no guarantee of concrete action. Still, they argue, passage of the legislation would provide a framework for governmental action. If the legislation were to pass, civil society would be in a better position to hold the government accountable.

It remains to be seen if GISSAN will emerge as a broad based coalition, bringing together a wide range of civil society organizations representing many viewpoints from both sides of the political spectrum. But, it is worth recognizing that food security, as a wide and comprehensive concept, can be framed in a number of different ways. At this point, the team's conclusion is that food security has not at this point been 'captured' by any particular group or political perspective. As such, it is important to frame the food security debate in the wider framework of Nicaragua's economic and social development, and its significance for the national good.

#### **6.4. The Importance of Building Political Support: The Case of the Glass of Milk Program**

At the time of the assessment team's field visit to Nicaragua (May 2004), public debate was on-going regarding the fate of a popular donor funded social program, the Glass of Milk program. This program, funded by the Japanese International Cooperation Agency, was reaching the end of its funding cycle, and in financial limbo. Public discussion regarding the future of this program provides a revealing example of the drivers of policy in Nicaragua.

The Glass of Milk program is a school-based supplemental feeding program launched in 2002. This program provided 100,000 to 200,000 children in high poverty areas with a glass of milk in schools around the country. This program has multiple objectives. As a safety net it is both 'protective', by raising the caloric and protein intake of at-risk children, as well as 'promotional' by creating incentives for families to keep children in school.

An additional objective of the program, according to government officials, is to assist the domestic milk industry. The program operated for 100 days per year designed to coincide with the so-called "Golpe de Leche," the season in which milk production peaks and prices drop. According to the GON, this program would purchase the surplus from at least 8,000 producers in regions throughout the country.<sup>75</sup>

In 2004, Japanese funding for the program ended, leaving the program with an uncertain future. The announced closure of the Glass of Milk sparked national discussion about how to institutionalize and fund the program. The dairy producers' associations have been vocal in pushing for the program's continuation. The Nicaraguan Chamber for the Milk Sector (CANISLAC) proposed a tax on alcoholic beverages and cigarettes. A bill currently before a congressional committee would create legislation

---

<sup>73</sup> GISSAN, *Documento de Posicion: Soberania y Seguridad Alimentaria y Nutricional* (2004).

<sup>74</sup> Ibid 2004.

<sup>75</sup> Government press release, [http://www.euram.com.ni/pverdes/Articulos/comunicado\\_gobierno\\_191.htm](http://www.euram.com.ni/pverdes/Articulos/comunicado_gobierno_191.htm)

establishing this new tax and adding this program to the national budget. While this sweeping tax has apparently been rejected, a more modest proposal solely taxing cigarettes is still being considered.

The vigor with which the government and others are advocating for the preservation of the program illustrates some salient points about policymaking in Nicaragua. Certainly, progress toward sustainable food security requires that some safety net initiatives transcend project status and become institutionalized and domestically funded. The nature of the debate, however, also reveals the limits of what is possible and realistic in the current policy making climate.

***First, constituencies matter.*** It is important to consider the constituencies that are able to drive policy and command the attention of policymakers. Producers' associations in a sector vital to the country's economy are able to access policymakers, as well as get their voices heard in the media. The dairy industry is a relatively powerful constituency, and their support for this program makes it more likely that it will be sustained.

This and other programs have the potential to develop into a win-win outcome for food security, by acting as a support for local agricultural production, as well as evolving into a partially or fully self-sustaining social safety net. One proposal from the Ministry of Education, Culture, and Sports (MECD), which administers the program, is to expand the program beyond milk to stimulate the production of other domestically produced agricultural products, including rice, oil, and beans.<sup>76</sup>

A point often overlooked in purely technical approaches to designing social programs is the question of political viability. Support of economic elites or other powerful constituencies can often be essential in getting an issue on the political agenda. Unlike external project funds, domestic resource allocation decisions are deeply political, particularly in resource scarce environments, and are unlikely to occur without the backing of powerful constituencies.<sup>77</sup>

***Second, the nature of the debate has illustrated the general weakness of the Nicaraguan NGO sector.*** The relative absence of vocal advocates for the food security and poverty alleviation aspects of the program is notable. As has been discussed earlier in this report, Nicaraguan civil society has not emerged as an effective force pushing for more forceful food security policies in Nicaragua.

In the absence of a strong NGO role, it is important to consider whether there is grassroots support for the program and means for expression of this support. The program's true constituency, the food insecure populations, is missing from the debate. The most significant rural organizations, such as UNAG, have not taken the issue up from the point of view of the beneficiaries. Building a constituency for the program among the urban poor by extending its geographical outreach may be one way to build civil society demand for this and similar initiatives.<sup>78</sup>

***Third, the style of program implementation illustrates the centralized nature of the Nicaraguan state.*** The program is implemented by a ministry (MECD) with distribution to public schools. Although private sector firms, including Nestle and Parmalat are involved in storage and distribution, control is maintained by the central government. Although this is not necessarily an inefficient means of implementing the program, it stands in sharp contrast with the well established Glass of Milk program in Peru, which is

---

<sup>76</sup> *Vaso de Leche Sigue en Espera*, La Prensa, 9 June, 2004.

<sup>77</sup> One interviewee pointed out that while rum is locally produced, most cigarettes are imported. So, taxing cigarettes might be politically viable, whereas a liquor tax would not be.

<sup>78</sup> A comparison with the highly successful Glass of Milk program in Peru might be instructive here. It has a large urban component to it, and a well mobilized network of community based organizations supporting it. The political constituency for the program in Peru is immense.

implemented by municipalities in close partnership with community based organizations (Glass of Milk Committees). In this case, municipalities delegate significant responsibility to community based organizations in the process of identifying the most at need, scheduling deliveries and selecting needed commodities.<sup>79</sup> In Nicaragua, the profound weakness of local government and limited range of strong community based partners might make this model an unrealistic option in the short term. On the other hand, the exclusion of municipalities from these types of programs may be further undermining their role in local development, ultimately reinforcing their limited capacity.

Fourth, one can conclude that external direction and foreign funding may be having the unintended consequence of stifling domestic discussion of the role of social safety nets and related issues. International donors are the lead actors in shaping the debates and setting the priorities for food security programs, lessening the need for internal discussion. The current debate in the wake of the end of foreign funding of the Glass of Milk program is a positive and necessary one. At the time of the writing of this report, the future of the program was still unclear. From a governance perspective, it may be important that this discussion be fully debated and resolved domestically, rather than being abruptly preempted by the offer of funding from a new international donor — a more likely scenario.

## 6.5. Conclusions: Building Support for Food Security

***Although there is a small but growing, constituency for a more robust, domestic food security strategy, it is not particularly strong, nor does it necessarily appear to be very well positioned.*** As

Micro-Political Map 1 aptly illustrates, the most apparent and vital constituency is found in the international sectors primarily among those groups and actors that have traditionally supplied food aid. Unfortunately, within that constituency, few have much influence in the government's policy-making, and less so in economic policy-making. Within the government the actors that might be seen as part of the constituency are either weak (e.g., MiFamilia), have many issues on their agendas before food security (e.g., Ministry of Education), or barely there (e.g., CONASAN). On the civil society side of the equation, the problem is related more to the lack of a mobilized and organized constituency. While the largest potential constituency may be the rural and urban poor, the sectors most vulnerable to food shortages and hunger, the potential of this constituency is severely limited by the fact that it is unorganized, geographically disperse, and without resources.

***Complicating the constituency problem is the lack of clear or evident leadership for raising the issue of food security.*** Apart from international actors (some of whom have significant other priorities before food security) there appears to be no one taking the lead in advocating or even in fostering debate on food security. The principal policy actors in government, such as SECEP are certainly not taking a lead in developing a more robust strategy; indeed, they have basically ignored the food security issue – to the extent that some international actors were compelled to lobby for its inclusion in the National Development Plan. Outside the government there do not appear to be any ready mechanisms for aggregating interests for a more robust food security policy. NGO actors have not addressed this issue directly, although the recent creation of GISSAN, an NGO coalition on food security, may indicate a more active role for the sector in the near future.

***The political polarization as expressed in civil society, although lessening with time, continues to have an impact on the sector.*** Most significantly, it may limit the ability of broad based coalitions to emerge on development issues, by inhibiting consensus on issues which may have a political element to

---

<sup>79</sup> Stifel, David C. and Alderman, Harold, 2003. "The 'Glass of Milk' Subsidy Program and Malnutrition in Peru" World Bank Policy Research Working Paper No. 3089.

them. Moreover, it contributes to the public perception of civil society organizations as vehicles for partisan expression, lowering their overall credibility as advocates for development. It also creates the risk that certain issues will be ‘captured’ by one side or another.

***Food security should be elevated as a national development priority and consensus built around the issue.*** In such a politically polarized society, there is a risk that food security can become a partisan issue, and risks being captured by one side or another. Food security is such a comprehensive concept; the issue can be framed in many different ways, and from multiple perspectives. By not making food security a significant part of the National Development Plan, the government risks ceding the issue to particular political groups in society, rather than forging broad consensus on the need for a food security strategy as part of Nicaragua’s overall development goals.

## 7. Rule of Law and Property Rights: Impact on Agricultural and Economic Growth

### 7.1. Rule of Law and Food Security

“Respect of the rule of law and a well developed justice system are underpinnings of a democratic society and a modern economy,” states USAID’s Democracy and Governance Conceptual Framework. An effective rule of law resolves conflicts, enhances predictability and prevents the arbitrary use of state power.<sup>80</sup>

There are several places where the rule of law and food security intersect. This section looks at two of the most significant. First, there is the question of land titling and land tenure, an issue which relates to the broader question of private property rights. The second issue has to do with the independence and effectiveness of the judiciary, particularly as it relates to land issues, and contract enforcement, and its effect on the overall investment climate in Nicaragua.

### 7.2. Land Tenure and Titling in Nicaragua

After coming to power, the Sandinistas addressed the high concentration of land ownership that had taken place during a boom in agricultural exports between 1900 and 1960 by expropriating at least 15% of Nicaragua’s most productive arable land. Initially these expropriated holdings were turned over to newly-formed cooperatives, and later to individual households. In many cases, the transfer of titles was inadequately formalized or dispensed with altogether. A study commissioned by a Danish research group found property rights were often incompletely formalized, with expropriated holdings distributed by the FSLN documented in a register separate from the General Public Registry of Property. Some beneficiaries did not receive any form of title.<sup>81</sup>

The change in government in 1990 marked a transition back to a market-based economy. Consequently much of the land expropriated during the Sandinista era became the focus of conflict between those occupying it and those claiming legal title that continues to this day. Throughout the 1990s, efforts to compensate previous holders of expropriated land resulted in both substantial fiscal costs and beleaguered courts overwhelmed with litigation based on multiple claims to land. The problem continues to date, and one study claims that, “[T]he total land area claimed for restitution exceeds the country’s total land area.”<sup>82</sup>

In response to rising social tension associated with land titling and tenure disputes, the National Assembly in 1995 legislated reforms intended to resolve the issues by offering security of possession to legitimate beneficiaries of agrarian reform. This only exacerbated an already volatile situation since establishing the

---

<sup>80</sup> U.S. Agency for International Development. Office of Democracy and Governance. *Democracy and Governance: A Conceptual Framework*, (Washington, DC: November 1998), PN-ACD-395.

<sup>81</sup> Rikke Broegaard et. al., *Property Rights and Land Tenure in Nicaragua* (Center for Development Research: Copenhagen, 2002), 4-9.

<sup>82</sup> Deininger K. and Chamorro, J.S. “Investment and Income Effects of Land Regularization: The Case of Nicaragua” IBRD Policy Working Paper #2752 as quoted by Broegaard et. al., 2003, 10.

legitimacy of ownership was left up to the courts. In 1996, Alemán promised to abrogate the 1995 legislation, and after months of negotiations with the FSLN which led the opposition in the Assembly, arrived at a compromise in 1997. The compromise sanctions ownership of land by certain beneficiaries of the Sandinista reforms while at the same time, allows former owners a prolonged grace period to establish their claims. In addition, an arbitration mechanism for property in dispute has been established.

The constraints to resolving this problem are numerous, according to a senior official in the Office of the Solicitor-General. When the FSLN expropriated large tracts of land for redistribution in the 1980s, it neglected to have previous titles legally declared null and void. This provides a legal basis for those contesting titles to land reallocated during 1979-90 Sandinista Era. Compounding this problem is the fact that six legally recognized varieties of land titles are used, granted by four different government agencies. Defining boundaries poses problems as well. Professional surveyors conduct legally-recognized determinations of boundaries and dimensions of land parcels in urban areas, yet, cadastres are not employed to establish the dimensions of agricultural properties. Legal titles are thus expressed in imprecise, approximate terms (e.g. more or less five *manzanas* [3.6 hectares.]).

The government of Nicaragua's land titling program, The Land Administration Project (PRODEP) is funded by the World Bank. It works to reallocate land either determined by the courts as illegally expropriated during the Sandinista era or abandoned. According to a study commissioned by the Japan International Cooperation Agency (JICA) 1.49 million *manzanas* (1.28m hectares), or approximately 18.2% of Nicaragua's total land area is considered to be either untitled or legally abandoned.<sup>83</sup> According to its executive director, PRODEP facilitated issuance of over 32,000 titles to small holders from 1990–2000. It is now engaged in re-titling of these plots in conformance with recent changes in land titling procedures.

In the Autonomous Regions of the North and South Atlantic, disputes over land are equally complicated. Land is largely communally owned (over 70%) and change of title is only recognized when it is clear that it will not be contested. Private owners standing in the way of an expanding community of indigenous people can be compensated only if the government is convinced the owner has clear title. According to the Ministry of Interior's agency charged with reallocating land expropriated during the Sandinista era, new settlers migrating into the Atlantic Regions are required to reach an accommodation with the community's leaders before they are permitted to occupy its land, even under terms of a lease. Nevertheless, it does not appear that respect for indigenous peoples' property rights is uniformly respected. In a recent case, a timber concession was granted to a foreign firm despite protests by the Mayangma Community of Awas Tingni's regarding rights to harvest timber in a 62,000-hectare concession. The Mayangma's case was brought to the Inter-American Court of Human Rights and judged in the community's favor. The Government of Nicaragua, however, did not recognize the court's ruling and the dispute remains unresolved.<sup>84</sup>

### 7.3. Impact of Land Security and Titling Issues on Agricultural Investment

The effectiveness of Nicaragua's judicial system to adjudicate disputes over land tenure and contracts is fundamentally compromised by the uneasy political balance of power between the two major parties. Court decisions affecting land ownership take months or years, are often appealed, and rarely enforced. An efficient, impartial and independent judicial system does not presently exist in Nicaragua. The Liberal-Sandinista Pact of 1999 has resulted in shared control of appointments to the Supreme Court,

---

<sup>83</sup> Japanese International Cooperation Agency (JICA), "The Study on Agricultural Development in Region II and IV" in the *Pacific Coast in the Republic of Nicaragua-Master Plan Report-October* (JICA: 1998), S-7.

<sup>84</sup> Paul Sabatine, *USAID/Nicaragua Conflict Assessment*, USAID 2003.

Controller-General's Office and Elections Council. Control of the three commissions (administration, judicial career, and judicial discipline) administering the country's legal profession, is also divided between magistrates appointed by the PLC and the Sandinistas.<sup>85</sup> These two political groups are perceived as acting above the law, having divided between themselves control over what should be independent branches of government.<sup>86</sup>

The rule of law in a system of transparent and efficient justice is a vital factor in achieving food security through raising food availability and food access by facilitating economic growth. At the level agricultural production, two empirical studies conducted in 2000 and 2002 demonstrate that formal land titling reduces tenure insecurity and enhances the value of land. Moreover, investments in trees and other forms of land conservation were found to be greater on formally titled land. These can have significantly favorable effects on agricultural production and in mitigating environmental degradation. The studies likewise found that farmers with secure titles also were more productive and willing to take risks with improved varieties of seed and other inputs.<sup>87</sup>

The impact of titling on access to credit is more complex. The lack of clear title to land did not appear to be as significant a factor constraining small farmer's access to credit as expected. Credit from formal lending sources such as banks by larger holders is often contingent on collateral, suggesting that land titles are the key to expansion of rural credit. Our respondents and review of the literature, however, indicate that the need for access to technical assistance by borrowers of agricultural credit may play a more significant role. In addition, cooperatives and other organizations providing credit indicated a willingness to accept other types of proof of possession in the absence of a clear title. It is not so much the lack of titles that constrains small farmer access to credit, but the underdeveloped financial system in rural markets.

Nevertheless, formal land titles reduce land tenure insecurity and enhance the value of land as an immovable asset. Clear titles provide an incentive to invest in the land as noted above and engage in its long-term use by growing perennial value-added crops, including vegetables, fruits, and coffee. This widens opportunities for rural employment at harvest times. The regression analyses carried out by the Harvard Institute for International Development and the Danish Centre for Development Research support their conclusions that agricultural production rates rise with increasing levels of tenure security, among small (1-5 *manzanas*) and medium (5 – 20 *manzanas*) holders in particular.<sup>88</sup> All of these factors support arguments on both efficiency and equity grounds for interventions to legally clarify rights of land ownership.<sup>89</sup>

#### **7.4. Rule of Law, Agricultural Production, and Economic Growth**

This section has focused primarily on issues related to land titling and tenure. It is also important to consider more broadly the effect that rule of law issues have on agricultural production and economic growth.

---

<sup>85</sup> According to an informed observer of Nicaragua's judicial crisis, some jurists in the lower courts do strive to be honest and impartial. Meanwhile, politicization, influence peddling, lack of professional training, and discipline permeate Nicaragua's legal system.

<sup>86</sup> ARD 2003, 2,6,17-18.

<sup>87</sup> Broegaard *et. al.* 2002, and Jeremy Folz, Bruce Larson, and Rogberto Lopez, "Land Tenure, Investment, and Agricultural Production in Nicaragua- Development Discussion Paper No. 738" (Harvard University: 2000.)

<sup>88</sup> This study by the Harvard Institute for International Development and the Danish Centre for Development Research used regression analyses to consider the relationship between production and tenure security.

<sup>89</sup> Broegaard *et. al.* 2002, Folz *et. al.* 2000 p. 25-26

Lack of enforcement and unpredictability of legal decisions inhibit investment in agribusiness. Predictable conditions for investment attract capital, while unpredictability repels credit and capital investment. Investors and lenders tend to seek markets where law enforcement and justice systems that guarantee protection of investors' rights, including property rights. If the environment for investment cannot guarantee rights through transparency and rule of law, proprietors, investors, and lenders both domestic and foreign, will look for opportunities elsewhere.<sup>90</sup>

According to those respondents working to raise production in agriculture and ancillary businesses, the unreliable nature of contract resolution severely inhibits investment in all sectors of the Nicaraguan economy, including agriculture. Investment banks tend to invest production credit in larger and often risk-avoiding firms exporting traditional agricultural products such as beef, coffee, and sugar. In an increasingly competitive international market, these are yielding deteriorating, but nonetheless, predictable rates of return.

One respondent indicated that buyers' and investors' inability to rely on the legal system to impartially deliver binding decisions, means that investment and lending capital is rarely extended beyond those within a close network of interpersonal ties. This system of patron-client relationships pervades the way most business is conducted. This inhibits the entry of new enterprises with new ideas into Nicaragua's agricultural production and marketing sector where strong potential for economic growth still lies. According to the Agribusiness Coordinator of the Inter-American Institute for Agricultural Cooperation (IICA), new entrants into domestic and export-oriented agribusiness are stymied by their lack of access to production credit at reasonable rates. Sixty exporting firms thus account for over 70% of the country's agricultural exports.

Another significant factor identified by respondents is the politicization of credit by the Sandinistas by making it freely available to thousands of peasants in the 1980s. This resulted in what some observers call a "culture of no payment" when both the Sandinistas and succeeding governments forgave some loans to peasant farmers to gain political advantage. Over the past decade, public and private lending to small producers became limited while availability of credit to the majority of poor small farmers, largely dependent on foreign assistance for capital, is even harder to come by.

***Corruption continues to affect the adjudication of the law and can inhibit economic growth.*** In furthering its anti-corruption campaign, the Bolaños Administration was to have unveiled its new strategy, a product of consultations with civil society, government officials, and donor representatives at its October 2003 meeting with donors. Bolaños has also insisted on high ethical standards and instituted an Office of Public Ethics within the Presidency.

Nevertheless, corruption ranges from petty rent-seeking by public officials to material influence of judicial and enforcement processes that are widely viewed by Nicaraguan and expatriate observers as rife and unlikely to lessen until an environment of transparency and accountability results in renewed investor confidence causing Nicaragua's economy to expand at sustainable levels. Poor economic growth widens opportunities for corruption in adjudication and enforcement of rulings on disputes involving land titling and contractual obligations, thus worsening the climate for both agricultural production and investment.

---

<sup>90</sup> The Danish Centre for Development Research team found that with tenure of security, cultivators' investments in immobile assets like land increase. When titles are negotiable, they encourage land sales markets. In theory, this results in land being allocated to the most efficient users. For this to happen however, free access to credit at market rates is required. When credit is concentrated in the hands of those with greater liquid wealth rather than efficient users, this affects production commensurately. Broegaaard *et.al.*, 2002, 4-5.

This in turn, deepens Nicaragua's economic decline and its dependence on foreign assistance including food aid.

## 7.5. Conclusions

***The effectiveness of Nicaragua's system of justice to adjudicate with finality disputes over land tenure is fundamentally flawed.*** This is because an impartial and independent judiciary — presently does not exist in Nicaragua. The 1999 pact between the Liberal-Conservatives and the Sandinistas has resulted in shared control of appointments to the Supreme Court which maintains judicial and administrative oversight of the country's lower courts and the legal profession. Court decisions affecting land ownership takes months or years as decisions are often appealed through a judicial structure that reflects the uneasy political balance of power between the two major party groups.

***The recent history of land reform and the inability of the land ownership question to be resolved with finality raise questions about the sanctity of private property rights in the minds of investors.*** This can act to suppress overall foreign and domestic investment in all sectors of the Nicaraguan economy. The rule of law in a system of transparent and efficient justice is a vital factor in achieving food security through raising food availability and access by facilitating economic growth. If property rights are protected by widely recognized legal norms, domestic and foreign investment could be attracted, contributing to long term economic growth and investment in agriculture.

Unclear legal frameworks regarding land ownership and titling contributes to tenure insecurity which impacts agricultural production. Clear land titles enhance the value of land as an immovable asset, and studies suggest that the development of a land market would lead to the more productive and efficient use of land. Titles also provide incentives for farmers to invest in conservation measures such as planting trees as well as cultivating value-added crops. Finally, as mentioned above, a more secure legal environment could act to stimulate additional investment in the agri-business sector.

## **8. The Governance Constraints to Food Security in Nicaragua**

### **8.1. Linking Governance and Food Security**

Food insecurity is one of the most critical development challenges facing Nicaragua. Although Nicaragua is not a famine prone country, it demonstrates continued high levels of chronic malnutrition<sup>91</sup> and, at this point, is dependent upon U.S. food aid to meet the needs of its population.

This assessment sought to identify some of the underlying causes of Nicaragua's profound food security problem, through the use of a democracy and governance analytical lens. Governance issues such as the lack of a truly impartial judiciary or a culture of political polarization may be seemingly unrelated to food security at first glance, but in actual fact shape the country's policymaking environment, weaken the effectiveness of state institutions, and affect development outcomes. This study has shown that problems related to democracy and governance in Nicaragua are linked to food security in a number of ways, including:

- An inhospitable and unsupportive political and policy environment that both impedes new initiatives in food security and renders it to a low priority status
- A low level of capacity on the part of the state to take on and effectively and expediently implement food security initiatives
- Significant insecurity in the rule of law that deters investment and is incapable of resolving disputes over a vast number of conflicts related to land tenure
- A weak constituency within a political system that largely excludes from participation those most vulnerable to problems of food insecurity.

One of the more significant findings is that despite its dependency on food aid, food security is not high on the political agenda in Nicaragua. Food assistance continues to decline but the outlook for food security in Nicaragua remains difficult with little sign of solution for the short or medium-term. There appears to be a mismatch between the depth of the problem and the priority allotted to it by the government and civil society as an issue needing to be addressed. Moreover, the potential constituency for food security is weakly organized and poorly represented at the national level.

This study has explored the democracy and governance issues facing Nicaragua as they affect prospects for achieving food security. This section will summarize the study's findings in four general categories, the policy-making process, state capacity, rule of law, and exclusion.

---

<sup>91</sup> By one estimate, more than 20% of Nicaragua's children under the age of five were suffering from chronic malnutrition in 2001. Macro 2002. See Section Two for a fuller discussion.

## 8.2. The Policy Process

While the Government of Nicaragua does have a written food security strategy, overall policy decisions affecting agriculture, economic development, and social services are guided more directly by the National Development Plan. The National Development Plan prioritizes agro-exports as an economic growth model, and does not significantly address food security. It appears that the Government of Nicaragua does not recognize food security as a distinct problem requiring direct policy solutions. In practice, food security issues are subsumed, and often obscured, in more general policy discussions surrounding agricultural production and wider economic growth strategies. There is a widespread belief within and outside government that generalized economic growth is a sufficient strategy to address food security.

The prospects for a more robust food security policy are weak, because of the difficult policymaking environment that exists. Any initiative for improved food security faces an inhospitable and unsupportive policy environment brought on by profound governance constraints including the lack of national consensus, manifested most clearly in strongman based political parties, and entrenched political polarization, particularly in the National Assembly. In the case of Nicaragua's current government these constraints are compounded by the President's inability to maintain a viable political base of support for his administration and policy agenda.

The high level of politicization of the system limits the range of viable policy options that the government can tackle to issues that are clearly non-ideological, and thus incur low political costs. Consequently, a range of fundamental issues is simply off the political agenda, as the system is unable to absorb the political stress they would create. In this way, the political polarization can prevent many critical development issues from being addressed, which without resolution, can remain as obstacles to development.

Even if food security was to achieve greater priority, polarization has implications for how this issue might be addressed in this policymaking environment. In an extremely politically polarized society, there is a risk that any issue could be 'captured' by a political group, or become a partisan issue. By not making food security a significant part of the National Development Plan, the government risks ceding the issue to particular political groups in society, rather than forging broad-based consensus on the need for a food security strategy as part of Nicaragua's overall development goals.

### **Constituencies for a More Robust Food Security Strategy Are Weak**

Genuine government commitment for tackling the complex problem of food security is unlikely to develop in the absence of a mobilized constituency pushing the issue higher on the public and political agenda. Though immense, the potential constituency (urban and rural poor) for a more robust food security policy is weakly organized and unable to mobilize that potential. As candidates to the National Assembly are selected by their party's central committee, this constituency is only nominally represented through political parties, and would benefit from more accountable representation at the national level.

Small agricultural producers, on the other hand, are organized in UNAG (the National Union of Farmers and Cattlemen). Because of its size, UNAG has proven moderately effective at the national level, but because of its perceived ties to the FSLN, its ability to function as an effective constituency or advocate for food security is limited. Indeed, its primary contribution to food security is through advocacy of issues affecting small-scale agricultural producers, as well as providing technical support directly to this sector, rather than advocacy for a more robust food security policy.

The NGO sector is only weakly involved in advocacy on food security issues, preferring in general to work directly on community development and social protection issues. NGO advocacy efforts on food security are growing, however, with the emergence of GISSAN and its direct advocacy for passage of the

food security bill. On balance, however, the overall level of advocacy activities on the food security issues appears relatively limited. As an issue, it is not particularly high on the NGO sector's agenda. It is generally addressed indirectly, through poverty alleviation and community development activities that aim to bolster livelihoods of the poor.

### **8.3. Public Sector Capacity**

#### **Public Sector Responsibility for Food Security is Diffused and Poorly Coordinated**

Responsibilities for food security are diffused and very poorly coordinated among a wide range of public sector entities. Food security issues are inherently challenging, arguably, because they require a multi-sectoral approach and clear coordination. Existing coordinating bodies such as the National Commission on Food Security and Nutrition (CONASAN) could be addressing the lack of policy and programmatic coherency on food security, but they are not effective or influential. The Ministry of Agriculture and Forestry, (MAGFOR), houses a food security unit, and coordinates a data collection system on food security. However, basic coordination is left to CONASAN, an inter-ministerial body that apparently meets only infrequently (if at all), and is clearly not perceived as playing a leadership role on this issue.

#### **A Strategic Vision for Food Security Needs to be Developed**

Each entity within the Government of Nicaragua pursues food security through its own technical and sectoral prism. A comprehensive vision of food security — defined by and with policy leadership of the executive branch with legislative support — is absent. Although there is a written food security strategy, it has little effect in shaping actions of ministries operating in the related sectors. The Ministry of Agriculture is primarily focused on agro-export led growth, with a secondary objective of assisting small-scale producers. Most of the activities to support small-scale agricultural production and to establish social safety nets are 'projectized' and donor driven, and as a result, are poorly institutionalized. A possible constraint to the development of a long term coherent strategy is the donor environment which creates incentives for opportunistic 'projectized' approaches to these problems. Incentives for the development of a long-term strategic vision for achieving food security seem to be absent.

#### **Local Economic and Community Development Limited by Weak Local Government and Public Sector Role in Rural Areas**

The potential role of local government as contributors to economic growth has yet to be realized in Nicaragua. Apart from a handful of larger cities, local governments demonstrate willingness but have neither the capacity nor the resources to provide much assistance to local development. Local governments have demonstrated that they can be effective partners in implementing programs that have positive impacts on food security, but these are limited to a handful of the larger municipalities (e.g., Matagalpa) that have both the requisite skills and resources. The government has embarked on a program of decentralization but success will depend on continuing legislative support and the capacity of entities to assist local governments in planning budgets and raising revenues.

The limited role local government plays reflects the historically centralized nature of the Nicaraguan state. The national government remains largely responsible for the delivery of services and the control over resources also remains very centralized. The problem of capacity at the department level is therefore critical for service delivery and program implementation. There are some indications that national government presence at the department level appears to have been reduced, but has not been replaced in functional terms. The effectiveness of ministry offices at the department level, as well as those of the autonomous public agencies, is severely limited by a lack of resources (human, financial and technical) in many departments. Continued centralization limits the opportunities for local government to play an

enlarged role in the provision of these services, and prevents them from gaining much needed experience in program implementation and in promoting economic development.

### **Making Food Security a Priority**

Until food security becomes a genuine Nicaraguan priority it is likely that capacity for carrying out food security activities will remain much the same. While more funding might become available for carrying out projects it also will likely translate to more projects without much strategic coherence, and projects that are staffed by consultants with little concern for building institutional capacity.

Turning food security into a real priority will require Nicaraguan leadership, from someone or some institution willing to take on the task of getting the issue onto the table or agenda of national discussion. To help accomplish this, the international donors might begin to focus in on a particular actor or group of actors. One possibility might be to strengthen both CONASAN and COTESAN – these organizations, even as weak as they currently seem, could be a logical and reasonable interlocutor since they have the representation of most, if not all, institutions involved in or concerned with the problem of food security.

## **8.4. Rule of Law and Access to Land**

### **Unclear Ownership of Land Affects Production**

The absence of a clear framework for land ownership has contributed to tenure insecurity. Disputes over land ownership cause good agricultural land to lay fallow. Since most of the disputes are over land redistributed and/or expropriated during the Sandinista era, and since Sandinista appointed judges control most of the judicial system, the likelihood of an expedient resolution to land tenure problems in the near future seems quite low.

Interestingly, the lack of clear land titles on access to credit is not as critical as the team had hypothesized. Lack of titles mostly affects small or subsistence farmers – precisely those who are least likely to have access to credit, even with a clear title. Credit institutions are mostly, if not exclusively, oriented to medium and most particularly large scale farmers. Thus, more important than clear titles are lack of credit institutions willing to service small scale farmers and technical assistance providers.

There is evidence, however, that farmers with secure titles were more productive and willing to take risks with improved varieties of seed and other inputs. They are also willing to invest in improvements such as planting trees to forestall soil erosion. Another impact of the unclear ownership of land is that when titles are negotiable, they encourage land sales markets which theoretically results in the most efficient and productive use of land. In this way, Nicaragua's land titling problem is inhibiting efficient land use and can inhibit production.

### **Unpredictability of legal decisions and lack of enforcement inhibit investment in agribusiness.**

Rule of law, transparency, and an efficient justice system are vital factors for economic growth. In turn, economic growth is essential for achieving food security by raising food availability and food access. Unpredictability repels capital investment and credit. If investors and lenders cannot determine with a degree of surety that a country's justice and law enforcement systems will guarantee protection of their rights (including property rights), proprietors, investors, and lenders both domestic and foreign, will seek opportunities elsewhere, undermining overall economic growth. Moreover, unpredictability of legal decisions and lack of enforcement inhibit investment in the agricultural sector, and can impact food availability.

## 8.5. Participation of Food Insecure Groups: Economic and Political Exclusion?

Those most affected by the problem of food security, namely the rural and urban poor, are those least capable of influencing or provoking change in food security policy. The poor, especially the rural poor, represent the largest sector of the population but are mostly excluded from the benefits of and participation in Nicaraguan society. The continuing lack of schools, health services, high birth rates, sanitation, communications, access to credit or technical assistance, roads, and political representation simply perpetuate the problem of exclusion. Although the urban poor, particularly in the interior departments of Nicaragua, clearly suffer exclusion, the problem increases with distance from urban centers.

The question of exclusion is one of representation of the interests of the economically vulnerable and food insecure groups in national public policymaking, either through civil society, political parties, and formal representation in government.<sup>92</sup> As noted earlier, the rural and urban poor represent, potentially, a huge constituency for improved food security. However, as noted in the report, organizations of the rural poor are rare and comparatively weak. Some of these groups originated with a close affiliation with the FSLN and it is unclear if these organizations will be able to move toward a non-partisan perspective and obtain broad-based support. NGOs provide some degree of advocacy for the rural poor, but that advocacy tends to focus on needs of specific groups rather than advocacy of broader, more strategic approaches to the problems of food security in general. Positively, GISSAN recently began to advocate and lobby for passage of the Food Security Bill introduced to the legislature in 2001, but it remains to be seen whether their efforts will bear fruit. CONPES provides a mechanism for civil society participation in policymaking, but it is unclear if food security is an issue of concern.

Political parties mobilize the poor during electoral periods, but genuine representation after the election is in question. Since the party executive committees select elected representatives, they are neither beholden nor accountable to their constituents.

Furthermore, the rural and urban poor do not have fully accountable representatives in the National Assembly or other policy-making arenas to whom they can transmit their needs and demands. Since candidates to the National Assembly (and the municipal councils) are selected by their party's central committee and they are not readily accountable to their broader constituencies. At the other end of the scale, local governments in rural areas are positioned uniquely to be aware of and respond to the needs of local citizens, but financial resource constraints render many local governments incapable of playing a leading role in local development.

The constraints to greater inclusion and genuine representation of the interests of Nicaragua's most vulnerable populations appear deep-rooted. To reverse the process, effective participation of the poor as well as sustained and strategic advocacy will be required, as well as political party and other reforms. But how that will happen is much less certain.

---

<sup>92</sup> As Section Two discusses, the team recognizes that there are different groups impacted by food insecurity in Nicaragua (e.g., landless, subsistence farmers, children, etc.) and their interests may overlap, but are not necessarily identical.

## 9. Bibliography

Associates in Rural Development. June 2003. Democracy and Governance Assessment in Nicaragua.

Brinkerhoff, Derick W. and Benjamin L. Crosby. 2002. *Managing Policy Reform: Concepts and Tools for Decision-Makers in Developing and Transitioning Countries*. Hartford, Connecticut: Kumarian Press.

Broegaaard, Rikke, Rasmus Heltber, and Nikolaj Malchow-Moller. 2002. *Property Rights and Land Tenure in Nicaragua*, Copenhagen: Centre for Development Research.

Corral, Leonardo and Thomas Reardon. 2001. "Rural Non-Farm Incomes in Nicaragua." *World Development*. 29(3).

Christopolos, Ian. 2001. "Extension, Poverty and Vulnerability in Nicaragua Country Study for the Neuchatel Initiative," Working Paper 150. Overseas Development Institute.

Demographics and Health Surveys Stat Compiler. <http://www.measuredhs.com/>

Food and Agriculture Organization. 2003. The State of Food Insecurity in the World 2003. <http://www.fao.org/docrep/006/j0083e/j0083e00.htm> "Prevalence of undernourishment in developing countries and countries in transition."

Food and Agriculture Organization. 2004a. "Food and Nutrition Security: A Strategic Element for Nicaraguan Development. (*La seguridad alimentaria y nutricional: elemento estrategico para el desarrollo de Nicaragua*)". FAO

Food and Agriculture Organization. 2004b. *The State of Food Insecurity in the World 2003* [http://www.fao.org/docrep/006/j0083e/j0083e06.htm#P1\\_6](http://www.fao.org/docrep/006/j0083e/j0083e06.htm#P1_6)

Folz, Jeremy and, Bruce Larson, and Rogberto Lopez. 2000. "Land Tenure, Investment, and Agricultural Production in Nicaragua- Development Discussion Paper No. 738," Harvard University.

GISSAN, 2004. Documento de Posicion: Soberania y Seguridad Alimentaria y Nutricional.

Government of Nicaragua (GON). 2003. Instituto Nacional de Estadisticas y Censos (INEC). *Comparative Profile of Poverty in Nicaragua (Perfil Comparativo de la Pobreza en Nicaragua)*. (Managua: 2003).

Government of Nicaragua. 2003a "Poverty expenditure and HIPC Relief 2001-2003" (Gasto en pobreza y alivio HIPC 2001-2003). <http://www.pnd.gob.ni/pdf/Informe%20de%20Gasto%20en%20Pobreza.doc>

Government of Nicaragua. 2003b. *Proposed National Plan for Nicaragua*. [http://www.pnd.gob.ni/documentosPDF\\_English.shtm](http://www.pnd.gob.ni/documentosPDF_English.shtm)

Government of Nicaragua. Cabinet of Production and Competitiveness. 2004. Programas y Proyectos de Financiamiento para el Sector Productivo del Pais 2004.

Government of Nicaragua. Ministry of Agriculture and Forestry. “The National Food Security Policy (Política Nacional de Seguridad Alimentaria).”

[http://www.sissan.gob.ni/DOCUMENTOS/politica\\_Seguridad\\_Alimentaria\\_final.pdf](http://www.sissan.gob.ni/DOCUMENTOS/politica_Seguridad_Alimentaria_final.pdf)

Government of Nicaragua. Ministry of Agriculture and Forestry. 2003. *Strategy of Rural Productive Investment*. Managua: Ministry of Agriculture

Government of Nicaragua. Instituto Nacional de Estadísticas y Censos (INEC). 2003. Comparative Profile of Poverty in Nicaragua. (Perfil Comparativo de la Pobreza en Nicaragua).

Government of Nicaragua. April 2003. Presidencia de la Republica, Secretaria de Coordinacion y Estrategia (SECEP). *Poverty Expenditure and HIPC Relief, 2001-2003*.

Government of Nicaragua. July 2001. *Nicaragua: A Strengthened Growth and Poverty Reduction Strategy Paper* <http://www.imf.org/external/np/prsp/2001/nic/01/073101.pdf>

Inter-American Development Bank (IBD). 2003. Summary of Donor Assistance in the *Preliminary Report for the October 2003 Consultative Group Meeting* Inter-American Development Bank Regional Operations Department. October. 2003.

International City/County Management Association. 2004. Trends in Decentralization, Municipal Strengthening, and Citizen Participation in Central America, 1995-2003.

Jamieson, Mark. September 1999. *Poverty among the Indigenous Peoples of Nicaragua*. Inter-American Development Bank Sustainable Development Department. <http://www.iadb.org/sds/doc/IND-MJamiesonE.PDF>

Japanese International Cooperation Agency. 1998. The Study on Agricultural Development in Region II and IV in the Pacific Coast in the Republic of Nicaragua-Master Plan Report-October.

Kite, Rod. 2004. June 10, 2004. Food Aid Policy and Program Assessment. Nicaragua: USAID

La Prensa, 22 September, 2000. Productores Anuncian Otra Marcha

La Prensa, 2 September, 2000. Preparan Propuestas para Resolver Deudas Agrícolas

La Prensa, 9 June, 2004. Vaso de Leche Sigue en Espera.

Macro International. 2002. *Nicaragua Demographic and Health Survey 2001*. <http://www.measuredhs.com/pubs/pdf/FR135/10Chapter10.pdf>

Marchione, Tom and Paul Novick. 2003. Famine Prevention Framework for Ethiopia: Decreasing Vulnerability: Building a Resilience Safety Net. USAID

Porter, Michael E. 1990. *The Competitive Advantage of Nations*. New York: Free Press

Sabatine, Paul. April 2003. USAID/Nicaragua Conflict Assessment. USAID Office of Conflict Management and Mitigation.

Sen, Amartya and Jean Dreze. 1999. The Amartya Sen and Jean Dreze Omnibus. Oxford: Oxford University Press.

Stifel, David C. and Alderman, Harold, 2003. "The 'Glass of Milk' Subsidy Program and Malnutrition in Peru" World Bank Policy Research Working Paper No. 3089. <http://ssrn.com/abstract=451401>

United Nations Development Programme. 2001. *El Desarrollo Humano en Nicaragua 2000*. <http://www.undp.org.ni/idhnicaragua/pdf.htm>

United Nations Development Programme. 2002. *Human Development Report 2002: Deepening democracy in a fragmented world*. New York: Oxford University Press.

U.S. Agency for International Development 2002. *Foreign Aid in the National Interest: Promoting Freedom, Security, and Opportunity*. Washington, DC: (PD-ABW-900). <http://www.usaid.gov/fani/Overview--%20Foreign%20Aid%20in%20the%20National%20Interest.pdf>

U.S. Agency for International Development. 2000. Office of Democracy and Governance. *Conducting a DG Assessment: A Framework for Strategy Development*, Washington, DC: (PN-ACH-305).

U.S. Agency for International Development. 1995. Bureau for Policy and Program Coordination. *Food Aid and Food Security Policy Paper* Washington, DC: (PN-ABU-219). [http://www.dec.org/pdf\\_docs/PNABU219.pdf](http://www.dec.org/pdf_docs/PNABU219.pdf)

U.S. Agency for International Development. November 1998. Office of Democracy and Governance. *Democracy and Governance: A Conceptual Framework*, Washington, DC: (PN-ACD-395).

United States Department of Agriculture. 2004. Food Security Assessment. USDA Economic Research Service.

University of the Autonomous Regions of the Caribbean Coast of Nicaragua (URACCAN). January 2003. *The Autonomous Regions of Nicaragua's Caribbean Coast*. Bluefields.

Van Haeften, Roberta. November 2002. "Public Law 480 Bellmon Analysis." USAID: Nicaragua, Managua.

Van Haeften, Roberta. December 2000. "An Assessment of The Food Security Situation In Nicaragua."

The World Bank, *Millennium Development Goals, Nicaragua Country Profiles*. <http://devdata.worldbank.org/idg/IDGProfile.asp?CCODE=NIC&CNAME=Nicaragua&SelectedCountry=NIC>.

World Bank. March 2004. "Public Sector Technical Assistance (Project Information Document)." [http://www.wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2004/03/22/000104615\\_20040322140955/Original/Project0InformInt010Appraisal0Stage.doc](http://www.wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2004/03/22/000104615_20040322140955/Original/Project0InformInt010Appraisal0Stage.doc)

World Bank. December 2003. *Nicaragua Poverty Assessment: Raising Welfare and Reducing Vulnerability*, World Bank.

World Bank. 2003b. *World Development Indicators*, World Bank: Washington D.C.

## 10. List of People Interviewed

### Government of Nicaragua

Dr. Maria Lourdes Bolaños, Adjutant Prosecutor , *Office of the Attorney General*

Francisco Chevez , Director, *PRODEP*

Carmen Largaespada, Minister, Ministry of the Family (MIFAMILIA)

Luis Osorio, Secretary-General, Ministry of Agriculture and Forestry (MAGFOR)

Sergio Narvaez Sampson, Executive Director, *Rural Development Institute (IDR)*

Dr. Victor Manuel Talavera, Solicitor General , *Procuraduria General de la Republica*

Ricardo Tinoco Perez, Institute of Municipal Development (INIFOM)

Jose Luis Velasquez, National Council of Social and Economic Planning (CONPES)

Ignacio Velez L., Director of Projects and Local Development, *Social Investment Fund of Nicaragua, FISE)*

### Municipal Governments

Jaime Rodriguez, Mayor, *Santa Maria*

Horacio Lanzas, Deputy Mayor , *Villanueva*

Emigdio Téllez Mairena , Mayor, *Puerto Morazán*

Dr. Alfonso Valdez, Mayor, *San Rafael del Norte*

Ing. Sadrach Zeledon Rocha, Mayor, *Matagalpa*

### Nicaraguan Private Sector and Civil Society

Adilia Amaya Talamante, Institute of Human Development (INPRHU)

Humberto Belli, President, Patrick Werner, Professor, *Ave Maria College of the Americas*

Jorge Brenes Abdalah, General Manager, Nicaraguan Association of Producers and Exporters of Non-Traditional Products (APENN)

Dr. Roberto A. Courtney, Executive Director, *Civic Group for Ethics and Transparency*

Alfredo Cuadra Garcia, President, Private Enterprise Council of Nicaragua (COSEP)

Rodolfo Delgado Romero, Vice President, Junta Directiva , *Institute for Nicaraguan Studies (IEN)*

David R. Dye, Nicaraguan Representative, *The Economist Intelligence Unit (EIU)*

Alvarao Fiallos, Union of Agriculture and Cattle Growers (UNAG)

Blanca A. Herrera Gonzalez, Executive Director, Association for Integral Community Development (Matagalpa)

Rod Kite, Consultant

Leonor Midence, *SOY NICA*

Alejandro E. Martinez Cuenca, Ph.D., President, International Foundation for the Global Economic Challenge

Diana Saavedra, Sectoral Political Coordinator, James Johnson, Agribusiness Coordinator

Inter-American Institute for Agricultural Cooperation (IICA)

Kevin Sanderson, LAC Director , *World Relief*

### International Organizations and Donors

Ennio Arguello S., Program of Technical Cooperation, *Organization of American States (OAS)*

Eduardo Balcarcel, Representative, *Inter-American Development Bank*

Amparo Ballivian, Resident Representative in Nicaragua, *World Bank*

Christel Buch Kristensen, VAM Program Officer, *World Food Programme*

Jorge L. Chediek, Resident Coordinator, United Nations Development Program in Nicaragua

L. Van Crowder, Representative in Nicaragua, Food and Agriculture Organization (FAO) Denis Jean Pommier, Technical Assistant, Rural Development and Food Security and Jose Luis Martinez Prada, Councilor, *European Union*  
Pedro Romero, Senior Program Analyst, *World Food Programme*

## **USAID**

Susan Brems, Deputy Mission Director  
Leonard Fagot, Senior Agricultural Specialist  
David E. Hull, Food for Peace Officer, Central America  
Steve Olive, Chief, Trade and Agribusiness Office  
Atty. Luis Fernando Ubeda, Democracy Specialist  
Enrique O. Urbina, Deputy Office Chief and Food Security Officer, Trade and Agribusiness Office  
Tanya Urquieta, Democracy Officer  
James E. Vermillion, Mission Director  
Alonzo Wind, Chief, Office of Human Investments  
USAID Cooperating Agencies  
Brian J. Hunter, Sub-Director, Save the Children Federation USA  
Ofilio Mayorga, Save the Children Federation USA  
Tomas T. Membreno, Chief of Party in Nicaragua, Partnership for Food Industry Development Fruits & Vegetables (PFID-F&V), *Michigan State University*  
Nick D. Mills, Country Director, *CARE Nicaragua*  
Ernest van Panhuys, Director, *TechnoServe, Nicaragua*,  
Lara Puglielli, Director, Nicaragua Program, *Catholic Relief Services*  
Dr. Cecilia Sanchez and Alejandro Rodriguez, Project for Institutional Strengthening of the Legal System, *Checchi Corp.*  
Maternal-Child Health Care Advisor San Rafael del Norte, *Project Concern International*  
Alicia Slate, Education Specialist, Office of Social Interventions, *Academy for Educational Development*  
Plinio R. Vergara, Country Director, Adventist Development and Relief Agency International (ADRA)  
Leonel Arguello Yrigoyen, Director, *Project Concern International*

## 11. Annex A: The Policymaking Environment in Nicaragua

There are elements in the macro political environment that may either enhance or diminish the likelihood that a particular policy will be adopted and implemented. Indeed, factors in the macro-environment play a large role in determining just which policies will be considered important and be given greatest priority. In addition, the macro-environment will also play a major role in determining whether or not the government will have the capacity not only to adopt a new policy but whether it will have the capacity to implement that policy. The crucial element in determining capacity to both adopt and implement a new policy is the level of support the government has or can mobilize in a particular policy direction. A government with low support or that lacks the ability to mobilize support will be largely unable to implement its policy agenda. We will use political mapping techniques<sup>93</sup> to graphically illustrate the level of support enjoyed by the Nicaraguan government for political/policy decision-making and implementation.

The main intent of political mapping is to illustrate support bases and existing or potential opposition bases to the government and its political agenda. In the Micro-Political Map in Section Six and the Macro-Political Map in this Annex, groups or actors denoted by denser or larger letters are the more powerful or influential. Generally, the more groups or actors found in the support sectors, the better, but if powerful or influential actors remain outside, then the worse. To the extent that the government is able to muster resources to satisfy demands of different actors, the greater its overall level of support. Once the government is unable (or lacks the resources) to satisfy demands of differing actors (including those in the opposition), the less support it will have and the less it will be able to do.

The overall environment for political/policy decision making in Nicaragua is currently, and likely to remain, a very difficult one at best. With only the lukewarm support of past President Arnoldo Alemán and a broad-based coalition led by the *Partido Liberal Constitucional* (PLC) the current President, Enrique Bolaños Geyer won the 2002 presidential election by a very comfortable margin over his FSLN opponent, former President Daniel Ortega. After the election, Bolaños maintained and even briefly increased popular support through his decision to prosecute the former president (and presumably other members of the Alemán government) on charges of corruption. However, once the former president had his immunity revoked, was tried, convicted, placed under house detention, and then transferred to prison – Bolaños' popularity began to slip. That popularity continued to slide to where it is now extremely low, and most of his political capital has now been expended. Bolaños is now saddled with low and declining popularity and is without the necessary and sufficiently solid base of support upon which to move ahead with any sort of serious political agenda.

---

<sup>93</sup> For a full explanation of political mapping see Derick W. Brinkerhoff and Benjamin L. Crosby, *Managing Policy Reform: Concepts and Tools for Decision-Makers in Developing and Transitioning Countries*. (Hartford, Connecticut: Kumarian Press, 2002.) Chapter 8.

## NICARAGUA: MACRO POLITICAL MAP 1

	OPPOSITION SECTORS		SUPPORT SECTORS			OPPOSITION SECTORS	
EXTERNAL SECTORS			EU	Scandinavians GTZ USAID IMF IADB IDRB US Dept. of State	Japan Taiwan maquiladoras		
Sector Position	Anti-system	Legal Opposition	Conditional Support	Core Support	Conditional Support	Legal Opposition	Anti-system
	President Enrique Bolaños						
SOCIAL SECTORS	Urban marginal Urban middle Urban workers Rural unemployed Agricultural workers	Rural middle class Small Farmers				Urban middle class Large farmers Banks and Commercial capital agro-industry	
POLITICAL PARTIES	FSLN - Ortega FSLN - Congress			Partido Conservador PCN "RE-PACTO" CONGRESO?	APRE RESISTENCIA NAC. GU CCN	PLC - Aleman PLC - Congress	
PRESSURE GROUPS	Courts ANDEN "Agri-FSLN" ATC universitarios "las tunas" FETSALUD Coordinadora Democrática FNT CTS UNAG		Bolaños - Congreso SECEP CONPES FFAA		Major Business Groups Coordinadora Civil ASOBAN COSEP AMCHAM CADIN UPANIC	Narco-Traffickers FIS CPT CTN Church	Organized crime

**Mapping support:** As can be seen on Macro-Political Map 1, President Bolaños' base of support is very thin. With the exception of international financial institutions and bi-lateral agencies, there are few actors or groups of any importance within the support sectors. A sector by sector analysis reveals just how little support remains for the President and how difficult it will be to regain that support in the near to medium term.

**Social groups:** While one normally expects erosion of support in the months following an election as different groups begin to realize that their demands (campaign promises notwithstanding) will not be satisfied – it is generally the case that at least few groups (those that do find their demands satisfied) will remain in the core and conditional support sectors. In this case, however, dissatisfaction appears nearly universal. On the left, the most difficult problems arise among the 'urban marginal sectors', composed of those recently arrived from the interior in search of jobs and better opportunities for their children, and the rural unemployed, *campesinos*, and agricultural laborers unable to find work and without land to raise subsistence crops. The lack of agricultural investment and the decline of coffee prices (which has contributed to a significant abandonment of coffee farms) has exacerbated the problem of the rural unemployed,<sup>94</sup> and caused the growth of "rings of misery" around the larger towns and cities in the

<sup>94</sup> Those that choose to remain on the lands of the farms where they were employed may be allocated small plots for subsistence farming but others not, preferring to wait it out on their employers farms until such time as they are re-

interior.<sup>95</sup> Although the government has promised to provide lands to some of these groups it has largely been unable to make good on those promises – with the consequence that campesino groups have resorted to more dramatic protests and the increased use of coercive means. As mentioned above, campesino groups, particularly those known as the *plantones* have alternatively resorted to the use of road blockages as well as long marches with upwards of 3,000 people including women and children, along the Inter-American Highway to publicize their plight. Toward the end of the team's fieldwork in Nicaragua, it appeared that the government was going to distribute some lands near Matagalpa – though a start, the government has a long way to go to satisfy demands. How the government continues to approach the problems will determine if it can recover some support in these sectors, or if demonstrators will continue to employ 'anti-system' means to gain the President's attention.

Some elements of the rural middle class and small farmers have benefited under the Bolaños government through credit programs and those programs designed to provide opportunities in more non-traditional farming – e.g., organic coffee production for the 'boutique market' – but such programs only affect or reach a very small number of individuals. To the extent that these groups do participate in some modest benefits, support for the government increases. This accounts for their 'one foot in support – one foot in opposition' posture.

On the other side of the map one finds the main source of support for Bolaños during the election campaign. Bolaños is a former successful cotton farmer whose farm was expropriated by the Sandinistas. He is also the former head of the COSEP, Nicaragua's umbrella private sector association,<sup>96</sup> and a man with a solid reputation for honesty and integrity. As such, the urban middle class, large farmers, businessmen, and agro-industry comprised the President's main constituency and were largely responsible for his election. However, delays in getting an economic program in place, the disputes created by the negotiations on CAFTA, and the attempt to introduce a modest fiscal reform have all contributed to an erosion of support by these sectors. Combined with growing problems of security and the President's single-minded pursuit of Alemán to the detriment of development and implementation of constructive reforms, these formerly count-on-able groups have shifted largely to opposition.

**Political Parties:** Among political parties, the support situation is considerably worse than among social sectors and generally presents an inhospitable environment for policy decision-making by the executive. President Bolaños retains the support of only a minor faction (with around 8 votes) of the PLC, the vast majority of which remains under the control of ex-President Arnoldo Alemán (even while he remains in prison), and the small Partido Conservador (PCN). To get elected, Bolaños had the support of the Alianza Liberal, a coalitional arrangement dominated by the PLC, which received 56% of the vote to 42% for Daniel Ortega and the FSLN. The PLC won 42 seats to the FSLN's 36 in the Legislature – the remaining 15 seats were scattered among nine other political parties, the largest of which are the PCN with 3 seats and the Partido Camino Cristiano Nacional (CCN) with 2 deputies. Neither major party can control the legislature without the support of other parties.

When Bolaños decided to go ahead with the criminal prosecution of Alemán on corruption charges, he lost the support of the PLC. In order to divest Alemán of his immunity (as both Deputy and sitting President of the Legislative Assembly), President Bolaños struck a temporary arrangement with the FSLN to obtain the necessary votes. However, that coalition also served to alienate virtually any vestige of hope for support from Alemán loyalists and raised doubts about his leadership among the President's

---

hired rather than striking out on their own or migrating to cities. Those that remain are generally deprived of the few benefits that the government provides for *campesinos* engaged in subsistence farming such as *Libra po Libra*.

<sup>95</sup> For instance, the research team was told that the population of Matagalpa has risen from approximately 70,000 in 1980 to nearly 500,000 in 2003.

<sup>96</sup> *Consejo Superior de la Empresa Privada* (COSEP).

supporters in the various minor, anti-Sandinista parties. Indeed, support for Bolaños has dwindled to the point that some observers wonder where that support actually lies and if the President will actually finish his term in office.

Lack of political party support has given way to speculation about a resurgence of a *pacto* that was developed between the FSLN and the PLC under the Alemán Administration (see Macro-Political Map 1 under pressure groups with FSLN Congress and PLC Congress “*re-Pacto Congreso*”). The current possibility is actually referred to as the *re-pacto* since it would involve a pact between the same parties and their two *caudillos*, Ortega and Alemán. Such a pact would only serve, it is argued, to further debilitate the President and give more real power to the legislature. While the so-called *re-pacto* is still at the level of speculation, it is clear that the legislature is not a collaborative partner with Bolaños. In mid-June 2004, important legislation such as the 2004 budget was stalled (as this report was being written) over issues such as the interpretation of how to calculate the 6% of the budget constitutionally earmarked for the universities.

The serious polarization within the Congress presents a situation that can easily lead to paralysis without the presence of a strong executive – and Bolaños clearly is not a strong executive. To gain a broader alliance in the Congress would appear to require concessions that Bolaños is not prepared to make, i.e., it would either require a much more permanent coalition with the Sandinistas or actions to assuage the Liberals – one of which would surely be the release of Alemán from prison if not his outright pardon. Although there have recently been some new attempts toward forming coalitions, such as the *Apré* (Alianza para la República) these have been among the smaller parties without the inclusion of either the PLC or the FSLN. Without either of these, such alliances will have little or no influence or effect.

**Pressure Groups:** Within the pressure group sector one finds some improvement in support for Bolaños, but it is not a very significant improvement. In contrast to either the political parties or social sectors, there are several groups in the core support area – but these groups are mostly groups directly related to the Bolaños administration. SECEP (the Secretario de Coordinación y Estrategia de la Presidencia) works directly with the Presidency but its reputation for technical capability and integrity has gained the confidence and attracted support of both foreign donors and some local investors.<sup>97</sup> CONPES (Consejo Nacional de Planificación Económica Social), composed of some 38 civil society organizations serves as a consultative mechanism for the government’s programs and plans, particularly in the area of poverty reduction. CONPES was created during the previous administration<sup>98</sup> and includes groups identified with both sides of the political spectrum – from the Consejo Superior de la Empresa Privada to the Central Sandinista de Trabajadores. But since it is located in the Presidency itself, it at least gives the appearance of support, even if it does not always reflect consensus.

Bolaños does have a small number of count-on-able deputies in the Congress. It is estimated that there are between 6 to 8 but with less than 10% of the total it does not represent much of a base from which to negotiate. While these deputies are apparently loyal to the President, they have relatively little influence. The armed forces (FFAA) appear to be determined to remain professional and obedient to the constitution. While they may have little interest in directly supporting Bolaños, they are keen on maintaining constitutional order. Finally the American Chamber of Commerce (AMCHAM) appears as a fully supportive of the President but it brings little to table and remains a relatively insignificant political actor.

---

<sup>97</sup> Particularly those with investments in the priority clusters defined in the *Plan Nacional de Desarrollo*.

<sup>98</sup> The creation of CONPES appears to coincide with Nicaragua’s entry into the HIPIC program – one of the requirements for the development of the Poverty Reduction Strategy Paper is wide consultation among various stakeholders in society. CONPES appears to mirror that requirement.

In general, opposition groups within the pressure group sector reflect the serious polarization present in Nicaragua. Groups that in large measure are associated with the FSLN occupy the left and those on the right are generally associated with either conservative or other anti-FSLN groups.<sup>99</sup> While not very prominent on the Political Map, the NGO community has also been split by Nicaragua's political polarization – many, if not most NGOs are either identified with the FSLN or with the opposition to the FSLN. To illustrate, there are at least two aggregate organizations that pretend to represent civil society and NGOs: one which is seen as supportive of government but perhaps more accurately is composed of anti- or non-Sandinista organizations and one which is mostly pro-FSLN. Likewise, labor and farmers organizations are equally divided – the Central Sandinista de Trabajadores on the left and the anti-Sandinista Confederación de Trabajadores (CPT) on the right. The Sandinista Union Nacional de Agricultores y Ganaderos (UNAG) can be found on the left and the anti-Sandinista Union de Productores Agrícola de Nicaragua (UPANIC) on the right.

While most NGOs and other civil society groups largely fall into opposition on either side, business groups provide the largest domestic support for Bolaños outside government related organizations. These groups include COSEP, UPANIC, the exporters' group (CADIN), and the bankers association – ASOBAN. While generally supportive of Bolaños, no group is universally so and most apparently have backed off on what was once relatively enthusiastic support. Of equal significance to the present administration are the major business groups<sup>100</sup> – which were quite supportive of Bolaños in his campaign but recently have begun to back away from and raise questions about the effectiveness of the government.

An additional factor not present in either the social or political parties sectors is the presence of anti-system groups within this sector. The groups that are most worrisome are narco-traffickers and organized crime. Narco-trafficking has apparently grown rapidly on the north and east coast areas in the Autonomous Regions while organized crime is present in both the large number of casinos that have sprung up over the past few years used largely, it is argued, for purposes of money laundering (some of which is linked to drug trafficking). Both cause increased expenditures on security and are major sources of corruption of both public security and other government services. Finally, both university students<sup>101</sup> and the *las Tunas plantones* have resorted to anti-system behavior<sup>102</sup> in attempts to get resolution to unmet demands.

**External Sectors:** It is among external actors that the Bolaños administration finds its greatest support. International financial institutions and donors have provided significant policy and financial support – indeed, these actors provide the bulk of the Nicaraguan government's current capital spending. Foremost among external support is the United States government. Over the past fifteen years the United States has invested heavily in preserving the presence of a democratic government in Nicaragua. While its financial commitments have diminished recently, USAID contributed significant resources throughout the 90s and for Post-Hurricane Mitch reconstruction, and was one of the leading advocates for Nicaragua's selection as a HIPC country. The US also has backed the Bolaños government and was very supportive during the prosecution of Alemán.

---

<sup>99</sup> It should be noted that FSLN associated groups remain very closely identified with the Sandinista party, whereas among non-Sandinista groups, political affiliation is less clear and in many cases non-existent. At the same time, while the FSLN can relatively easily mobilize their affiliated groups, that is not the case among the non- or anti-Sandinista political parties.

<sup>100</sup> These are the most prominent business groups in Nicaragua – many of which are associated with particular families such as the Pellas or the Montealegre groups. These groups have holdings in multiple areas and may include banking, finance, agriculture, and commercial activity.

<sup>101</sup> The student protests were over the method of calculation of the 6% annual budget earmark for universities

<sup>102</sup> The University students have resorted to assaults against the police trying to break up their demonstrations. In one incident, a homemade propelled grenade killed a policeman. The *las Tunas plantones* have resorted to shutting down and blocking major highways and marches to protest lack of resolution of land demands.

Only slightly less important has been the international financial institutions support for Nicaragua. In 2003 the IMF provided a stand-by agreement. Nicaragua receives or has received significant resources from the World Bank both through the HIPIC program (now completed) and loans with significant “grant-like” components to support both education and health. The Inter-American Development Bank (IDB) also has provided significant resources for infrastructure for the courts as well as highway construction.

The European Union (EU) currently has a large program in Nicaragua – some of which is directed at non-government beneficiaries. As can be seen on the Macro-Political Map, the EU is less directly supportive of the government than other external actors. It has recently begun to operate through a ‘sector-wide’ approach in some areas (e.g., education) and is directing greater financial support toward the accomplishment of objectives outlined in Nicaragua’s National Development Plan. Some observers also argue that the EU directs a significant portion of its assistance to beneficiaries affiliated with the FSLN, in contrast to practice of other donors.

Foreign investment is notable for its absence. Over the past several years, Nicaragua has been unable to attract and retain private investment largely owing to problems of corruption, legal and contractual insecurity, and the perception of enduring conflict. The lack of or inadequate infrastructure and low productivity of the Nicaraguan labor force are other elements that contribute to a negative investment climate.

Clearly, the role of external sectors in support of the Bolaños government is critical.<sup>103</sup> Withdrawal of that support would deprive the government of its major source of financial and political capital. While there seems to be minimal risk of such an occurrence, it also needs to be noted that Nicaragua does have obligations and conditions, particularly in the fiscal area, to meet as part of its stand-by arrangement with the IMF. Should it be unable to do so, a suspension of assistance by the IMF could trigger serious problems and potential suspensions of disbursements by the World Bank as well. Given the politically important nature of assistance to Nicaragua by other major and bilateral donors, it is unlikely that their resources would be suspended or withheld.

The overall policy context: Policy decision-making is extremely complicated and difficult. With the exception of international actors, the President appears to be without a real base of support. Popular, political party, and pressure group support are all nearly absent – and show little prospect of returning. Groups formerly supportive and which were key parts of the President’s electoral coalition are now situated on the line between conditional support and opposition. To retain conditional support requires that the group in question have its demands satisfied – but by all appearances the government seems to be unable to do so. Consequently, those groups either saddling the line or bordering opposition will likely continue to drift into direct opposition. The lack of a solid base of support has a stultifying affect on policy decision-making. The National Development Plan is considered to be the main policy agenda document of the Bolaños administration – however it has yet to be implemented and it is certainly unclear where the large amount of funds necessary to finance the Plan will actually come from. At the moment, the question of government capacity to implement a National Plan is overshadowed by the difficulty it has had in getting the 2004 budget approved by the Congress.<sup>104</sup> The lack of approval at this late date is

---

<sup>103</sup> There is at least one Ministry that has taken good advantage of the interest of international donors – the Ministry of Education. Through the Minister’s entrepreneurial actions in getting capital budget support from international donors, he has assured the Ministry sufficient funding to pay for books, desks, construction of new classrooms, and other equipment for the next 2-3 years.

<sup>104</sup> By the time the assessment team had finished its fieldwork at the end of May, the 2004 budget had yet to be approved by Congress.

simply indicative of the lack of authority and influence of the Bolaños government in the Congress. Unfortunately, given his own problems with the PLC because of the prosecution of Alemán, and because of the polarization of the Congress between the Alemán's PLC and Ortega's FSLN, the development of a sufficiently strong coalition to significantly advance the government's policy agenda is not at all likely.